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**BORN GLOBAL COMPANIES AND DYNAMIC CAPABILITIES IN A  
RAPIDLY CHANGING ENVIRONMENT**

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## **ABBREVIATIONS**

MNC Multinational company

LAN Learning advantage of newness

VRIO Valuable, rare, imitable, utilized by organization



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**ABSTRACT**

Many companies have a vision to globalize from the founding and these companies are called born global companies. Born globals may have shortages compared to traditionally internationalizing companies but they do have also advantages. This study aims to understand how born global companies may overcome the shortages they may face. The focus is on resources and dynamic capabilities.

Dynamic capabilities framework is used to effectively cope with the change happening in the environment. There are multiple ways to utilize dynamic capabilities, and they may give a sustain competitive advantage when used right and with adequate resources. This study evaluates how dynamic capabilities are used and if they do create competitive advantage with the resources the company possess. Furthermore, the study analyses learning advantage of newness.

Empirical analysis was collected through interviews conducted to the three case companies. The companies varied by the age, industry and the size. All the case companies utilize dynamic capabilities to some extent and the older ones with better resources are able to create competitive advantage with the help of dynamic capabilities. Learning capability is emphasized as the most important dynamic capability.

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**KEYWORDS:** Born globals, dynamic capabilities, resource-based view, competitive advantage



# 1. INTRODUCTION

This chapter will justify the need for the study and discuss the research question and limitations. Furthermore, definitions and structure of the study will be discussed.

## 1.1. Background

Born global company is defined as “a company which, from or near its founding, seek to derive a substantial proportion of its revenue from the sales of its products in international markets”. (Knight & Cavusgil 2004: 124) Traditionally companies choose internationalization strategy, in this strategy companies learn about culture, politics and other factors before penetrating the markets. Born global companies start operating in the international markets just after establishment (Kim, Basu, Naidu & Cavusgil 2011). The purpose of these companies is to be agile and be able to adapt to the dynamic market environment. This is also one of the main competitive advantages of born globals (Daekwan, Choton, Naidu, Cavusgil 2011).

Moen (2002) argue that born global companies are innovative and some of them have possibility to extreme growth. Born globals are sometimes also called as global start-ups or INVs but in this study born globals is the term used. (Knight & Cavusgil 2004.) It is also supported that born global companies are more innovative than the traditional multinationals and they are more able to draw customers outside the home market (Kim et al. 2011). Born global companies also adopt relatively quickly internet based sales channels and they mix traditional sales channels with the new sales channels. (Gabrielsson & Gabrielsson 2011).

The Internet is used widely and it has become available globally. Over half billion people in the world use internet. On a daily basis, the amount of Internet users was already in 2008 about 4.1 billion people. (Turban, King, Lee, Liang & Turban 2010: 779.) According to the United Nations (2014), over 80% of UK based companies use computers as a number one utility in the business (United Nations 2014). The fast evolution of the world wide web has driven to a change of consumer behaviour. The digital revolution allows customers to compare prices

and products instantly. The world and business environments are shifting rapidly towards digitalisation. This can be also seen in markets, since they are more dynamic. This has led to a situation where it is tougher for companies to hold on to the competitive advantage. Assets can be accessed by many others and markets are more open. (Montealegre 2002.)

It is questioned how and why some companies can build competitive dominance in rapidly changing environment (Teece, Pisano & Shuen 1997). In this study the target is on the resource based view where the paradigm is to recognize why companies gain dominance in the markets via resources they have or they have gained (Montealegre 2002). Knight & Cavusgil (2004) argue that companies that penetrate to international markets early gain the advantage from the entrepreneurial orientation. This makes it possible for them to evolve their capabilities and gain profit. (Knight & Cavusgil 2004). This study includes literature review of the entrepreneurial aspects of the company and it will be included in the case studies.

Dynamic capabilities assign to the skill of a company to renew and continuously change in the rapidly developing business environment (Danneels 2010). The rapid change in markets drive companies to seek different ways to obtain competitive advantage, such as changes in technology advantage (Danneels 2010). Therefore, it is important to study this issue to gain understanding and competitive. Dynamic capabilities framework explains the significance of processes in an entrepreneurial way internally and externally. "The focus is on how companies can create, extend, integrate, modify and deploy their resources and assets in a dynamic environment, in order to manage threats and seize the possible opportunities". (Teece 2014: 17).

As the markets are changing rapidly, it is critical to be able to explain how companies gain the competitive advantage and how it can be managed. There are multiple studies of born global companies and dynamic capabilities for instance Teece (1994), but there is a shortage of studies in the field of born globals and the use of dynamic capabilities in a dynamic environment.

## 1.2. Research question

The dynamic capabilities framework is going to be introduced and with the help of theoretical framework, it will be evaluated how the case companies utilize

dynamic capabilities and does it bring competitive advantage. The focus will be on born global companies since there are no previous studies of born global companies within this area. According to Laanti, Gabrielsson & Gabrielsson. (2007) “The recent research has highlighted the importance of studying the role of resources and capabilities of the born global companies.” (Laanti, Gabrielsson & Gabrielsson 2007: 1105). The main idea is to identify what type of actions companies take to utilize their resources better and how dynamic capabilities effect on the decisions the company makes, such as acquiring resources or modifying them. By effectively utilizing dynamic capabilities it is possible to create competitive advantage. However, dynamic capabilities do not itself give companies competitive advantage. Therefore, it is necessary to study in what way the companies are able to achieve the competitive advantage. The research question is presented below.

*How born global companies utilize dynamic capabilities in a rapidly changing environment and does it have an influence on the competitive advantage of the born global company?*

In order to answer the research question, it is crucial to have objectives that analyses, and builds a better understanding of conclusions.

1. *How key features of born globals such as entrepreneurship and networks effect the born global company? How the company utilize sensing and seizing capabilities?*
2. *What are the key resources of the born global companies?*
3. *How a born global company exploits dynamic capabilities?*

“The topic is important because, younger and smaller ventures are increasingly more important in many economies.” (Jantunen, Puumalainen, Saarenketo & Kyläheiko 2005: 228). Exporting is vital for countries to boost their economy and born globals have a growing role in this. Therefore, it is important to study if by utilizing dynamic capabilities and effectively use resources some competitive advantage could be produced.



There are previous studies that support dynamic capabilities and competitive advantage in an implementation process but there is a clear research gap as there is a shortage of dynamic capabilities and born globals in this context. In order to acquire knowledge of this phenomena a case study of three companies will be conducted where the dynamic capabilities and the entrepreneurial orientation are analysed. Moreover, the resources of the company are analysed to gain understanding what are the relevant resources and if dynamic capabilities are applied on these resources to gain supremacy in the markets.

### 1.3. Definitions

**Born global** Born global company is defined as “a company which, from or near its founding, seek to derive a substantial proportion of its revenue from the sales of its products in international markets”. (Knight & Cavusgil 2004: 124.) The definition of born globals is used as following “the first international sale took place within three years after incorporation and the firm’s foreign sales account for at least 25% of its turnover”. (Almor & Hashai 2004: 9.)

**Information and communications technology (ICT)** “is defined as the industry that provides products that can process, transmit and receive information. This definition includes all kind of computers and communication systems working via electricity” (Government of Canada 2011). Technology aid globalisation and companies worldwide gets new opportunities. (Kraemer, Gibbs & Dedrick 2002).

**Learning advantage of newness** born globals that penetrate international markets early on possess learning advantages over the latecomers. They sense more easily advanced opportunities in the markets. This may bring success to these companies. (Zhou et al. 2010.)

**Organizational routines** are activities performed by individuals or groups in a certain organization. These activities are performed by the assets of the company (Teece et al. 1997).

**Resources** include all activities, capabilities etc. that enable company to generate rents. (Ambrosini & Bowman 2009). They are company specific assets that may or may not be difficult to imitate. Some resources are costly to imitate and some

are substitutable. However, resources that contain tacit knowledge are costly to imitate such as engineering knowledge or trade secrets. (Teece et al. 1997.)

#### 1.4. Delimitations

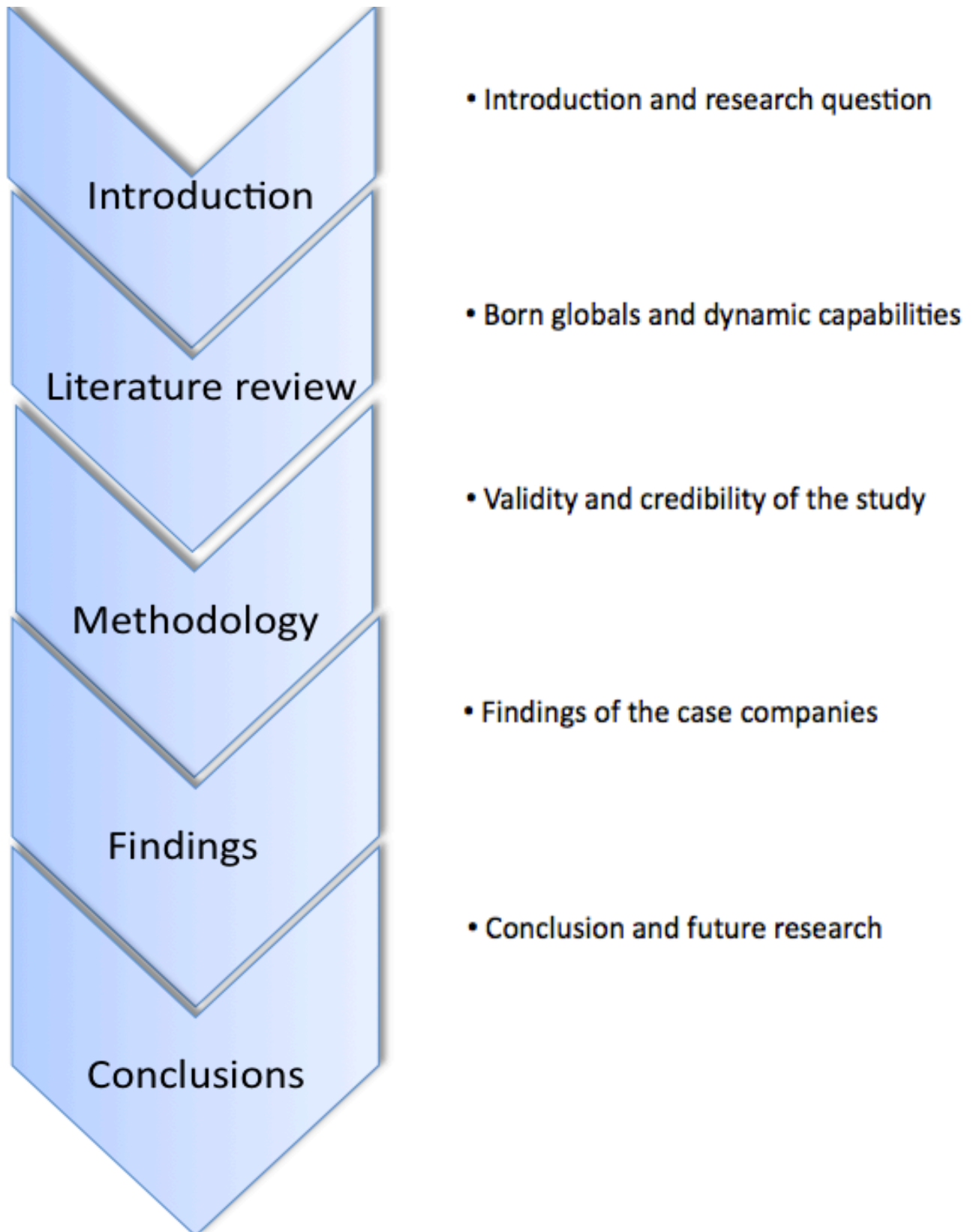
The focus of this study is on born globals and how they utilize dynamic capabilities. Companies are chosen based on their eagerness to be part of the study. The companies operate in different fields of industries and the deeper analysis of the industry specific differences is limited. The main focus will be on resource-based view and dynamic capabilities. There are multiple ways to achieve competitive advantage and resources and dynamic capabilities are just one way to achieve it. Companies of this study are also in different phase, one company is a two-year-old game publisher and the other two have been in business for longer time and they operate in automation/power distribution and leasing business.

#### 1.5. Structure of the study

The study will be structured in six (6) different chapters continuously numbered. The first chapter will discuss the background of this study and justify the need for this study. Moreover, the delimitations of the study and research question. The second and third chapter will be focusing on the theoretical framework. Firstly, born globals are going to be introduced and the features of them, in order to gain knowledge and understanding of them. Secondly, the dynamic capabilities framework which is a possible source of competitive advantage.

Fourth chapter will explain the methodology used in this thesis. Fifth chapter is the empirical part of the study. This chapter introduce the results from the case study conducted to three companies. The case study will apply methods described in the third chapter. This chapter will also have introductions to the case companies used in the study.

Sixth chapter will analyse and discuss the findings from the case study. It is the conclusion of the study and there will be also suggestions for further studies. In Figure 1 is presented the structure of the thesis.



**Figure 1.** Structure of the thesis.

## 2. BORN GLOBALS

Born global companies are discussed in this chapter and it will offer an overview of the characteristics of born globals. Born global companies have been studied for many years and there are multiple names for them. Some studies suggest them as “international new ventures or global start-ups” (Weerawardena, Mort, Liesch & Knight 2007: 294). However, in this study name “Born global” is used. Furthermore, focus will be on born global networks and how born global companies utilize these networks.

### 2.1. Overview of born global companies

Global competition has reached nearly all economies in the world and MNCs are playing a crucial role on the globalisation (Zander, McDougall-Covin & Rose 2015). There are many forces for companies to globalize around the world by expanding to foreign countries. Trade barriers are falling down and it allows the global competition in all markets. High technology investments drive companies to seek customers in foreign markets due to the need of higher sales volume. Products are getting more and more standardized as customer needs are more homogenous. Therefore, companies penetrate to global markets. Other factors are also influencing global competition, such as internationalizing rivals and the right to move humans, products and services around. (Yip 1989.) Worldwide, technology is shifting information balance in the favour to the customers. Born global companies cope with this change by co-operating with customers and not just by developing advanced products & services. They try to facilitate more adequate buyer experience and optimization of customer contact (Cavusgil & Knight 2015).

In the early stages, born global companies have insufficient resources to expand internationally since they lack financial & equipment resources and reputation (Sepulveda & Gabrielsson 2013). Amongst the biggest threat to born globals, according to Gabrielsson & Luostarinen (2006) is the lack of competent managers in the internationalization department. Directors in born global companies are good in IT skills and relatively inexperienced, and possess only a few global business experience. (Gabrielsson & Luostarinen 2006.) However, some research

argue that owner-managers are the key force to the early internationalization. Owner-managers earlier background contributes to the acceleration of market entry. Also, their global mind-set and strong learning orientation lead to rapid internationalization. Lack of experience and resources are no longer a major obstacle in global success. (Weerawardena et al. 2007; Knight & Cavusgil 1996.)

Traditionally companies follow internationalization process called Uppsala model. In this model proposed by Johanson & Vahlne (2009), companies first form deals with intermediaries which could be agents or other actors representing foreign companies and markets. After the sales have grown the next phase is to establish a subsidiary in the foreign country. (Johnson & Vahlne 2009.) Hashai and Almor (2004) argue that Uppsala model is a “stages” approach, which explains the companies to internationalize in stages and start by exporting to countries, in which the national culture is similar to culture in home country. At the later stages companies expand further to more distant cultures and invest in offshore production sites. In the stage theory, foreign market commitment can be measured with two factors; with the depth of foreign market activity and/or with the breadth of the activity. These measure how committed a firm is in foreign markets. (Hashai & Almor 2004.) The internationalization is done with the help of globalization and ICT. Expansion of young firms is not hindered by the costs of internationalization (Cavusgil & Knight 2015).

Cavusgil & Knight (2015) argue that firms competitiveness bank on few strengths. born globals keep on being successful if they continue to use the main sources of competitive advantage. These sources are continuous highlight on entrepreneurial orientation and on innovation capability. Furthermore, the sources are the ability of retaining technological edge to the competitors and networks & stakeholders. (Cavusgil & Knight 2015.)

## 2.2. Networks of Born Globals

Networks are important for born global companies to overcome their deficiencies and lack of reputation and financial shortages (Sepulveda & Gabrielsson 2013). Understanding the successful founding of born global company, it craves to look back to the establishment of the company and to the background and networks of the entrepreneur behind the company (Karra, Phillips & Tracey 2008).

Therefore, in this chapter networks of born global companies are introduced which then will be included in the interviews.

According to previous theories related to internationalization, companies should not be able to increase international commitment in early phase due to lack of resources and managerial inexperience in international markets (Hashai & Almor 2004). Håkansson & Snehota (1995) definition of networks will be used in the study: “business networks are never independent, isolated or alone; they are formed in their perceptions, knowledge, capabilities and intents by others.” (Håkansson & Snehota 1995: 205).

Knowledge is separated to three categories: “institutional knowledge, business knowledge and internationalization knowledge.” (Sharma & Blomstermo 2003: 740) All the knowledge can be gained via networks and can be used to help the internationalization process. (Sharma & Blomstermo 2003.) Weerawardena et al. (2007) argue that most successful born globals have a capability of learning which is market focused. The learning contains skills to buy, unlearn and integrate market information. These skills create assets for the companies to be able to evolve advanced products before competition and ahead of recognized need of the products. (Weerawardena et al. 2007.)

Born globals seek to exchange information and learn from their networks as significant resources can be found outside the company in the networks. With growth, born globals seeks specialized resources and capabilities from networks, such as alliances, to fund operations or partnerships with other companies to gain market dominance. Networks offer unique competitive advantage and strategically valuable, it is hard to imitate and enter to network but once access is gained it will be a possible competitive advantage. (Sepulveda & Gabrielsson 2013.) According to Sharma and Blomstermo (2003) networks are firstly a source of information to companies where they identify the trends in the markets and the competitive situation. Secondly, the company’s interest will be represented in a positive way and the timing and location is favourable. They gain early knowledge compared to competitors and this has an effect on the internationalization. (Sharma & Blomstermo 2003.) However, as Sepulveda & Gabrielsson (2013) stated, the networks become more important as the firm grows and consequently the network gives more advantage (Sepulveda & Gabrielsson 2013).

Network ties may be strong or weak. The tie is weak when intensity of the tie is low, weak ties connect disconnected and distant companies. However, firms that possess a big amount of weak ties enjoy a lead over the ones with few strong ties. (Sharma & Blomstermo 2003.) Then again, Hite & Hesterly (2001) argue that strong ties are stable and embedded, and weak ties are arm's length relationships, that help to access advanced and different resources from the networks (Hite & Hesterly 2001). Strong ties are more expensive to maintain and it is not as resource intensive. Moreover, weak ties bring plenty of knowledge and the knowledge is different compared to strong ties. Strong ties tend to supply more homogenous information. Companies which have strong ties may be better in customizing products for a smaller target group and specific knowledge is transferred better in strong ties than in weak. (Sharma & Blomstermo 2003.)

Networks change faster in born global companies than in regular companies. Born globals are more eager to move around different networks to find the best choice for them. Networks must support born globals in the internationalization since it happens in early stage and in a rapid manner. They do not want to lose first-mover advantage. (Gabrielsson, Kirpalani, Dimitratos, Solberg & Zucchella 2008.) Therefore, born globals should have the "right" contacts at the right time, in order to evolve quickly. According to Sepulveda & Gabrielsson (2013) strong ties are better in beginning of internationalisation for born globals. Strong ties are more straightforward to create and they facilitate faster market entry and to better sales, instead of possibilities seized exterior to the network. (Sepulveda & Gabrielsson 2013.)

The researchers (Gabrielsson et al. 2008; Sepulveda & Gabrielsson 2013; Sharma & Blomstermo 2003) agree that in the beginning strong ties in the network are beneficial to create rapid internationalization and to achieve better sales. However, when the companies evolve and gain resources, it is preferable to shift from strong tie networks to weak ties. This way the company is not caught in one network but is able to move agilely around other networks and opportunities.

### 2.3. Born global internationalization

Internationalization process of born global companies and what factors effect on the internationalization is discussed in this chapter. Furthermore, the entrepreneurial orientation will be covered.

There are three types of internationalizing styles according to Jantunen, Nummela, Puumalainen & Saarenketo (2008) First group are born globals that we have already introduced in this study. Second group is "born-again globals, these are companies that are established in their home markets and they had no plans or strategy to internationalise, but which have suddenly, embraced rapid and committed internationalisation." (Jantunen et al. 2008: 162.) The reason for this could be a rapid change in markets or some other incident. The last group is the traditionally internationalizing companies. These companies utilize the traditional stage models such as Uppsala model. (Jantunen, Nummela, Puumalainen & Saarenketo 2008.) Early internationalization increases the risks but there is a possibility to a significant growth. Even it is risky, it may be sometimes the best option when securing the survival of the born global company (Sapienza, Autio, George & Zahra).

Gabrielsson et al. (2008) created a three-point proposal on the born global progress. This proposal will be presented in order to gain some understanding how born globals operate in the markets and how they internationalize. This information will be utilized in the case study to divide the case companies to stages where they are at rather than just divide companies to categories by the age of the company. The three phases are: Introduction and launch phase, expansion and break-out point. (Gabrielsson et al. 2008.) Born globals need to have a exclusive technology or an inventive product, or some other special competence to create competitive advantage and stand out of the other competitors (Gabrielsson & Kirpalani 2004).

In the first phase the resources usually consist of founder(s) and some creative employees. Born globals also choose in this phase how they penetrate international markets, do they use internet or try to utilize networks and partner with MNCs. Venture capitalists are important, as born globals lack resources, they need venture capitalists to fund their growth. Second phase is the foreign market penetration phase. Born globals offer unique products/services so they



should position themselves in a market according to that. Moreover, learning and channels/networks are important to overcome resource shortfalls. (Gabrielsson et al. 2008.)

MNCs are pushed to make strategic relationships with other companies since the technology is evolving so rapidly and markets are uncertain. MNCs can help born globals for example with design, production and research. Born global offer MNCs innovativeness and unique products and services, these partnerships are beneficial for both parties (Gabrielsson & Kirpalani 2004). In the last phase born globals decide whether they break-out from cooperation with a MNC or develop a strategy to continue the cooperation. (Gabrielsson et al. 2008). Born globals management must carefully plan the strategy and relationship with the MNC if they solely sell to MNC there is the risk of a very strong relationship, which the born global company is too dependent of (Gabrielsson & Kirpalani 2004).

Marketing capabilities allow born globals to adequately and quickly expand to multiple market with innovative and unique product/services they hold on. (Weerawardena et al. 2007) However, Hallbäck & Gabrielsson (2013) argue that innovativeness of born global companies decrease during the global growth (Hallbäck & Gabrielsson 2013). These proactive and innovative capabilities combined with risk-seeking behaviour in foreign countries create value and competitive advantage for born global companies. (Weerawardena et al. 2007.) Marketing alliances with MNCs are not uncommon among born globals. The channels what born globals use is usually hybrid and they try to gain advantage by using many channels simultaneously (Gabrielsson & Kirpalani 2004) Since born globals have not unlimitedly resources, they most likely choose export as their entry mode (Cavusgil & Knight 2015).

Customer centricity plays a major role in easing innovativeness it also has a positive impact on the technological capabilities for CRM and external information management. By collecting information from the customers born globals can find innovative ways to solve customers' problems. However, long-term relationship does not cherish innovativeness. (Kim et al. 2011.) Gabrielsson et al. (2008) support the theory by arguing that customer centricity plays a crucial role in born globals. Therefore, they try to learn from demanding global customers in order to succeed after the market penetration. (Gabrielsson et al. 2008.)

When examining the factors that influence born globals internationalization few factors stand out. The most important factor seems to be the entrepreneurial mind-set of the owner(s). They have a major impact on the company and how it develops. However, it does not create competitive advantage, it just makes the born globals internationalize faster. (Weerawardena et al. 2007.) Secondly, the networks are crucial for born globals to cope with the fierce global competition, these networks create value and may even aid financially. Born global companies are skilled in using networks as an advantage. Lastly, born globals progress in many ways, but the phases can be identified. These steps utilize innovativeness and networks. Born globals also face a decision when to break-out from a relationship. Born globals are agile and innovative compared to traditionally internationalizing companies, born again globals act like born globals when they penetrate the international markets.

#### 2.4. Entrepreneurial factors of born global companies

McDougall & Oviatt (2000) explain international entrepreneurship "new and innovative activities that have the goal of value creation and growth in business organizations across national borders". (McDougall & Oviatt 2000.) Entrepreneurial orientation has value according to previous research. The research has proposed that one reason for born global companies to internationalize so rapidly is the entrepreneurial quality. Owners of the born globals are internationally oriented and entrepreneur minded (Weerawardena et al. 2007). Laanti et al. (2007) support this and add that the owners may have international work experience and language skills that help them to have global vision and flexibility (Laanti et al. 2007). Sepulveda & Gabrielsson (2013) found out that born globals entrepreneurial orientation influences how the company manages their networks (Sepulveda & Gabrielsson 2013).

Teece (2014) claim that entrepreneurial management is crucial for the company to be prescient in order to sense opportunities and threats. Furthermore, the managers are more than resource allocators, they sense, shape and utilize opportunities. (Teece 2014.) According to Cavusgil & Knight (2015) born global companies have immense amount of entrepreneurial orientation. They grow and are backed up by the entrepreneurially oriented managers and founders. (Cavusgil & Knight 2015.)

Karra et al. (2008) support the view of entrepreneurial background of the founders and managers. They argue that top managers and founder(s) usually have experience on the industry and networks the company operates in (Karra et al. 2008). Zhou, Barnes & Lu (2010) found out that entrepreneurs often have peculiar competence and knowledge that enables the entrepreneurs to sense and seize possibilities that are not seen by others (Zhou, Barnes & Lu. 2010). This evidence supports that entrepreneurial factors are significant for the dynamic capabilities and born global companies often possess this factor.

Entrepreneurial capabilities attribute to the skills to sense and buy needed resources, and to seize the opportunities that have been spotted or created. These capabilities are crucial for young born global companies but become less crucial as the company matures. The capabilities are, alertness, capability of combining existing resources and the ability of creating visions that draws resources to the company. However, the ability to identify opportunities is the most critical value of entrepreneurial orientation. (Karra et al. 2008.) "In order to take advantage of the created opportunities they have to reconfigure their asset base. New processes, business models and other methods are needed to capitalize on the opportunities the companies face" (Jantunen et al. 2005: 227).

Jantunen et al. (2005) claim that entrepreneurial orientation and the reconfiguring capabilities has an important influence to the performance (Jantunen et al. 2005). However, Gabrielsson, Gabrielsson & Dimitratos (2014) argue that the innovativeness, risk attitude and innovation propensity has an impact on the growth in the early stage of the company but in later stage the effect is negative.

The only matter which proved to be positive throughout the whole lifecycle of the born global company was networks and international learning. (Gabrielsson, Gabrielsson & Dimitratos 2014.). Zahra & Garvis (2000) found out that entrepreneurial activities do affect the company's performance and on the innovation capability of the firm (Zahra & Garvis 2000). It is confirmed that entrepreneurial orientation and capabilities affect the performance. Combined with renewal process of organization it creates a source of competitive advantage, specially if the surroundings where the company operates is in a change (Jantunen et al. 2005).

In conclusion, Jantunen et al. (2008) argue that “entrepreneurial orientation has significant and positive effect on the international performance.” (Jantunen et al. 2008: 160). The high entrepreneurial orientation seems to be prerequisite to become a born global company it does not solely explain differences in born global international performance, but in performance of the slow internationalizing companies. (Jantunen et al. 2008.) All in all, the entrepreneurial orientation of the born global companies is important and multiple research support this proposal. Entrepreneurial orientation itself do not give competitive advantage but in right environment it might help the company to create competitive advantage.

## 2.5. Learning advantages of newness and knowledge

Organizations knowledge is a capability to understand and exploit alliances in a certain way that enables to accomplish the goals. Organizational learning is according to Autio, Sapienza & Almeida (2000) “a process of assimilating new knowledge into organization’s knowledge base.” (Autio, Sapienza & Almeida 2000: 911.) To learn new knowledge, it also requires unlearning of old processes and knowledge (Bettis & Prahalad 1995). The regeneration of knowledge is important to company’s growth and how quickly the company learns effect the growth significantly (Autio et al. 2000). However, Autio, Sapienza & Almeida propose that when companies get older they develop impediments that hinder their success in growing in new environments and that new companies have the ability to learn rapidly and grow faster in new markets. (Autio et al. 2000.)

LAN hypothesis stands for “learning advantages of newness” (Autio et al. 2000: 919). The meaning is that born globals entering the global markets in the beginning learning advantages over latecomers. It is based on a logic that companies that internationalize early usually have less intensely embedded practises and ties with domestic partners than latecomers. Therefore, they sense more easily new opportunities in the surroundings which takes the company to better performance and expansion. (Zhou et al. 2010.)

In dynamic environments knowledge based resources has positive relationship with performance and knowledge and learning are especially significant for new companies and their growth. Furthermore, the importance may be more

significant in dynamic environments like in high-tech environment (Autio et al. 2000.) However, born global companies do not automatically enjoy the benefits of learning advantages of newness when they internationalize in early stage. (Zhou et al. 2010)

Learning process is a continuous process and it starts with individual level, which then gradually evolves to the whole organization. Continuous learning strongly connects with the possible opportunities. The learning process craves strong distribution of knowledge throughout the whole organization to the organization to fully utilize the knowledge. (Voudouris, Dimitratos & Salavou 2010.)

There are two types of learning introduced in this thesis which are exploitative and explorative learning. Exploitative learning is expansion of current resources and technology. The results of exploitative learning are often acceptable and anticipated. Explorative learning is testing new know-how and routines. The results are uncertain, distant and usually negative. (Voudouris et al. 2010.) Zhou et al. (2010) suggest that exploratory learning at international and national level most likely creates resources that drive LAN-related performance (Zhou et al. 2010).

International market knowledge is a vital resource for born global companies to speed up their growth but they can also acquire this information (Autio et al. 2000). Entrepreneurial effort has an impact on the LAN performance of the born globals and needed to build and extract relevant capabilities. Innovative capabilities are promoting the acquisition of knowledge. (Knight & Cavusgil 2004.) Furthermore, it is stated that entrepreneurs learn most effectively by doing as in direct experience and in social interaction (Karra et al. 2008).

Older companies are likely to proceed more slowly in expansion than born global companies that aim for rapid growth. Older companies also may be able to structure the activities and routines in a way that permit the fast knowledge assimilation, hence the routinization of domestic activities. Older companies may also face less risk than born global companies. However, they may also contend with some liabilities of newness. (Zhou et al. 2010.) Autio et al. (2000) suggest that all companies must create structure appropriate to the capacities it holds. (Autio et al. 2000.)

In conclusion, entrepreneurial learning is valued as it leads to quick acquisition and integration of new knowledge, which is an important resource in the possible international growth of the company. It may also reflect that younger firms take more risks than firms that are in mature state and been in the business for long. (Zhou et al. 2010.)

### 3. DYNAMIC CAPABILITIES FRAMEWORK

This chapter focuses on explaining the reasons behind competitive advantage. Resource based view offers a static explanation to the issue and dynamic capabilities completes it by adding dynamic aspect to the explanation. Furthermore, it will be analysed how born global companies fit into the framework according to the literature.

#### 3.1. Resource based view

Resource based view is a framework that analyses companies' strengths and weaknesses. Wernerfelt (1984: 171) stated that *"for the firm, resources and products are two sides of the same coin. Most products require the services of several resources and most resources can be used in several products"*.

Wernerfelt (1984) was amongst the first to study resources separating them from products. When studying strengths and weaknesses of a firm there are couple of fundamental assumptions. First, companies are thought to possess productive resources and different companies has diverge resources, it is defined as resource heterogeneity. Second, some of the resources are expensive to imitate or inelastic in supply which is termed as resource immobility. (Barney 1996: 142.) Resources can be tangible or intangible (Montealegre 2002). In his further studies Barney (2001) found out that immobile assets could be developed over an extended period of time, these resources cannot be bought or sold. Moreover, supply inelasticity implies that firms urge assets to generate profits and it can become a source of market dominance if there are not many providers. (Barney 2001.)

By resources are indicated everything that is an advantage or a disadvantage of the company (Wernerfelt 1984). Resources are specific and capabilities controlled by companies and these resources are used to develop or implement strategies (Montealegre 2002). A wide range of attributes are considered as resources, but only few are going to be specified. According to Barney (1996) & Wernerfelt (1984) the resources consist of assets, capabilities, competencies, organizational processes, firm attributes, information knowledge. Financial capital refers to funds, that firm utilize such as the funds from the entrepreneurs and banks.

Physical capital refers to the company's physical assets, and location. Human capital consists of coaching, practice and managers and employees. Organizational capital relates to the structure of a firm, it can also be an advantage if the firm is capable of plan and coordinate superiorly. Resources may also be brand names, knowledge, personnel, trade contracts and efficient procedures. (Barney 1996: 142-144; Wernerfelt 1984.)

Rowe & Barnes (1998) define competitive advantage existing when a company has implemented a strategy that will benefit the company and, which is not yet utilized by any competitors. Furthermore, sustainable competitive advantage exists when competitors do not have same type of value creating strategy and they are not able to imitate the value creating strategy from the company exploiting it. (Rowe & Barnes 1998.)

The paradigm of understanding how companies can achieve competitive advantage is called resource based view of the firm. "Sustainable competitive advantage is viewed as the outcome of discretionary rational managerial choices, selective capability accumulation and deployment, strategic industry factors, and factor market imperfections." (Montealegre 2002: 515). In order to gain competitive advantage, the company has to hold resources both rare and valuable. These qualities are needed to the competitive advantage but not solely enough for competitive advantage. Resources should also not be imitable, not substitutable and not transferable. If all the upper qualities are fulfilled a company may have sustainable competitive advantage. (Priem & Butler 2001.) When firm has resources that are rare and valuable, they do not produce any value just by owning the resources. Resources should be developed and deployed in a way that creates advantage in the certain market. Resources can also be acquired to some extent (Montealegre 2002). Moreover, company has competitive dominance if they implement a new strategy which is not implemented by other companies operating in the same field and if the other companies are not able to copy the strategy (Barney 1991).

First mover advantage is for companies that move to a new industry and are the only one in the new industry to implement a strategy. Therefore, they can gain sustainable competitive advantage over the latecomers. However, if the resources are homogenous it is not possible to create strategy that leads to sustain competitive advantage. If a company want to have the first mover advantage



they have to be heterogeneous in order to achieve first mover advantage and gain sustain competitive advantage. (Barney 1991.) In some cases, there may be entry and/or resource position barriers. Entry barriers protect against companies with other resources and entry barrier protects against potential entrants. These barriers are not sufficient but combined they may be effective (Wernerfelt 1984). Barney (1991) support the evidence that mobility & entry barriers may be able to create sustain competitive advantage, if the resources are heterogeneous. In addition, the resources should not be perfectly mobile (Barney 1991).

### 3.2. VRIO framework

This chapter focuses on VRIO framework that will help to understand the value of resources and how they may create competitive advantage for companies. VRIO framework have been included in the table below to demonstrate how it is used. In the VRIO framework VRI relates to company's resources and O organization is considered to provide more complete explanation of company's performance than VRI resources independently would (Wiklund & Shepherd 2003).

Strategy is defined by Barney & Wright (1997) as a pattern of resources and capability allocation that facilitate company to maintain its advantage. VRIO framework was created to understand sustain competitive advantage. (Barney & Wright 1997.) The VRIO framework is structured to ask four questions. These are: is it valuable, is it rare, is it costly to imitate and is it exploited by the organization? The answers to these questions determines if the resource is a strength or a weakness (Barney 1996: 145-16). In Table 1 is a model of the Barney's VRIO framework (Barney (1996: 163). Furthermore, measurement units will be discussed.

**Table 1.** VRIO framework.

Valuable?	Rare?	Costly to imitate?	Exploited by the organization?	Competitive implications
No	-	-	No	Competitive disadvantage
Yes	No	-		Competitive parity
Yes	Yes	No		Temporary competitive advantage
Yes	Yes	Yes	Yes	Sustained competitive advantage

(Barney 1996: 163.)

Resources lead to competitive advantage only if the resources are both valuable and rare. Resources are valuable when they make the company more competent in a long run. (Barney 1991.) Barney argues that resources and capabilities are only valuable when they increase economic performance or decrease costs of the company (Barney 1991; Barney & Wright 1997). Rowe & Barnes suggest that valuable strategy enables organization to increase revenues by helping to overcome threats (Rowe & Barnes 1998). The valuable resources and capabilities that a company holds does not imply that they will be sustainably valuable. Customer needs, and taste shifts and technology render company's resources, which could lead to increasing value of resources (Barney 1996: 147).

A resource/capability is rare when the amount of companies, which hold the resource or capability is fewer than needed for a perfectly competitive environment (Rowe & Barnes 1998). Thus, a company possessing a resource do

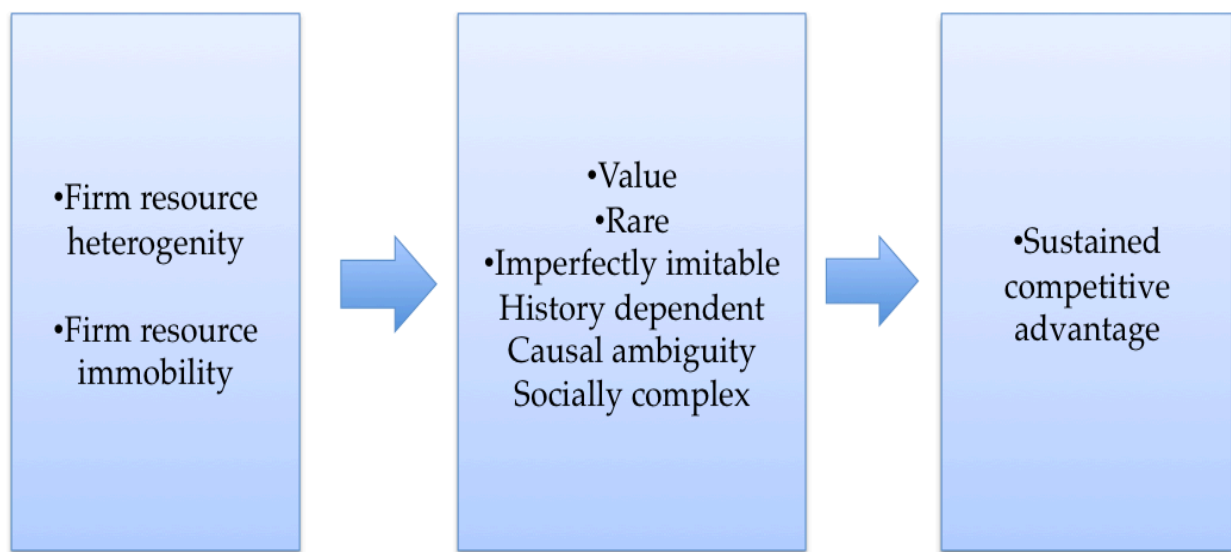
not need to be the only company in the market holding the resource in order to have competitive advantage. Even if a small amount of companies possesses the same valuable and rare resource it is rare/valuable enough to create competitive advantage. (Barney 1991.) If the strategy is both rare and valuable it is a source of temporary competitive advantage and it may help the company to above average performance. (Rowe & Barnes 1998; Barney & Wright 1997.) Valuable but common resources are also precious for companies'; they may not create sustain competitive advantage but increase company's probability to survive in competitive markets (Barney 1996: 149).

Resources/capabilities both rare & valuable is a cause of sustained competitive advantage only if competitors are not able to imitate them via duplication or substitution or if the imitation is very costly (Rowe & Barnes 1998; Barney 1996:155). If a resource or a capability is not duplicable or substitutable it is imperfectly imitable resource. There are three reasons how resources can be imperfectly imitable: the firm has ability to obtain a resource due *unique historical conditions*. There is link between resources owned by a company and company's sustainable competitive advantage – *causally ambiguous*, or if the resources create the advantage - *socially complex*. (Barney 1991.) Companies possessing resources that are costly to imitate, may earn economic rents and are able to create sustain competitive advantage (Barney 1996: 151-152).

*Unique historical conditions* – The skill to acquire and exploit some resources may depend on the time factor. Company's history and experience can create competitive advantage in the knowhow of developing resources, this type of resource is imperfectly imitable. (Barney 1991.) Unique historical resources are costly to imitate (Barney 1996: 152).

*Causally ambiguity* exists when the link between resource and firm is not understood or understood imperfectly. If the company holding the resource do not understand where it comes from and if competitors can't find out the source, it is a sustain competitive advantage. (Barney 1991.) This type of resources may be taken granted such as organizational culture or teamwork in top management. These resources are also called "invisible assets", which summarizes why they are hard to imitate (Barney 1996: 155).

*Socially complex* – companies are not able to manage them. These resources are hard to imitate and costly. Socially complex resources are phenomena that evolve in time, these resources could be company's reputation, organization culture or traditions. (Barney 1991; Barney 1996: 156-157.) Barney (1991) suggest that positive relationship with customers and other stakeholders create competitive advantage (Barney 1991). In Figure 2 is presented how resource based view creates competitive advantage.



**Figure 2.** Resource based view and competitive advantage.  
Adapted from Barney (1991).

The last question in VRIO model is about organization and how they utilize resources. The question is included to VRIO model because in order to exploit the resource fully and track it down the company is required to be organized. Multiple components of the company organization are related to ability of exploiting resources. Furthermore, valuable resources have limited capability to create competitive advantage in isolation. Therefore, organizations may create sustain competitive advantage of the rare and valuable resource. (Barney 1996: 160.)

VRIO model helps companies to detect if they have competitive advantage and how they exploit resources. If resource is not creating value it is a vulnerability

and it may increase the costs or decrease revenues. If the resource fulfils all the VRIO questions it is a source of sustain competitive advantage. (Barney 1996: 162.) In the next chapter dynamic capabilities will be discussed. Resource based view and VRIO model is important to understand before gaining knowledge of dynamic capabilities.

### 3.3. Dynamic capabilities

Resource based view helps to understand what are the resources and capabilities that are valuable in a company in a static view. However, RBV does not offer a explanation in rapidly changing markets which are unpredictable and uncertain (Eisenhardt & Martin 2000). The pace of technological change and competition indicate that companies cannot maintain all capabilities as such (Lawson & Samson 2001). The dynamic capability aspect extends the RBV by suggesting “how valuable, rare, difficult to imitate and imperfectly substitutable resources can be created and how they could be adjusted to the changing environment” (Ambrosini & Bowman, 2009: 29). As markets nowadays are highly dynamic and exposed to global competition, dynamic capabilities framework is rational choice for the study. With the help of these tools we are able to understand valuable resources and how these resources can be gained.

To achieve continuous dominance in markets open for global competition, one needs more than difficult-to-replicate assets and resources it requires also dynamic capabilities (Teece 2009: 4). New markets emerge and the ubiquity of platforms is growing but dynamic capabilities is a tool to help companies to transform with the ongoing development (Teece 2007). Dynamic capabilities vary with the changing surroundings, they redeploy resources and renew competences in order to gain competitive advantage (Wu & Hisa 2008). In hypercompetitive environments, companies have to continuously refocus their business (Wheeler 2002).

Teece (2009) indicate that possession of dynamic capabilities is crucial for MNCs that operate in open market and are exposed to rapid technological change (Teece 2009: 5). It also helps to capture the capabilities that drive innovation, internationalization and development of new resources which create new valuable strategies (Weerawardena, Mort, Salunke, Knight & Liesch 2015).

Dynamic capabilities are not sufficient competitive advantage. However, the competitive dominance is in the resource configurations dynamic capabilities create (Eisenhardt & Martin 2000). Dynamic capabilities are aimed to enhance the future, and normally assets are more static unless dynamic capabilities are used to enhance those static assets. Capabilities are processes and dynamic stands for changing the resources. (Ambrosini & Bowman 2009.)

Ordinal capabilities can be categorized as operational, administrative and governance capabilities. Ordinary capabilities sell static products and services. They allow products and services to be made and sold. They do not support durable competitive advantage, but act more like survival of the company. Ordinary capabilities are also called as best practise, they are replicated and transferable and will help the company to survive for a short period of time. (Teece 2014.)

Table 2 presents the main researchers and their work in the field. The methodology of the study is also presented in the table.

**Table 2.** Main researchers in the field.

Author	Methodology	Selected findings of the key studies of dynamic capabilities
Teece et al. (1997: 516)	Theoretical	“the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments” – Teece et al. 1997
Eisenhardt & Martin (2000: 1107)	Theoretical	“Dynamic capabilities are the firm’s processes that use resources, specifically the processes to integrate, reconfigure, gain and release resources—to match and even create market change.”
Rindova & Kotha (2001: 1277)	Case study	“continuous morphing is an important mechanism for renewing competitive advantage in environments, in which competitive advantage appears to be inherently transient. The process rests on the dynamic capabilities and strategic flexibility of a firm.”
Zollo & Winter (2002: 340)	Theoretical	“A dynamic capability is a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness.”
Winter, (2003: 991)	Theoretical	“Defining ordinary or zero-level capabilities as those that permit a firm to make a living in the short term, one can define dynamic capabilities as those that operate to extend, modify or create ordinary capabilities.”
Ambrosini & Bowman (2009: 34)	Theoretical	“Sustaining their competitive advantage, firms need to renew their stock of valuable resources as their external environment changes. Dynamic capabilities allow firms to affect these ongoing changes.”

Teece et al. (1997) were the ones who introduced the framework of dynamic capabilities and there are multiple articles and studies defining the same issue. More or less these definitions are adaptations of Teece's definition. (Ambrosini & Bowman 2009.) Rindova & Kotha (2001) conducted a case study of the elements that lead to competitive advantage. They found out that by renewing and shifting competitive conditions a company may gain competitive advantage, the process of shifting and changing rests on dynamic capabilities (Rindova & Kotha 2001). Zollo & Winter (2002) argue that dynamic capabilities are a process modifying the routines in order to achieve effectiveness. It develops from previous experiences, knowledge articulation and codification (Zollo & Winter 2002).

Eisenhardt & Martin (2000) explored dynamic capabilities and RBV, their outcome suggests that "dynamic capabilities consist of many well-known processes, such as alliancing, product development and decision making". (Eisenhardt & Martin 2000: 1116). The value of dynamic capability is in capability of creating, integrating, recombining and releasing sources (Eisenhardt & Martin, 2000). Winter (2003) found out that there are two type of capabilities, dynamic and ordinary. These capabilities differ but it is hard to define the difference between them. She suggests that dynamic capabilities do not always bring necessary advantage for a company, rivals with ad hoc problem solving when accomplishing change successfully also carry a lower cost of burden. (Winter 2003.) Ambrosini & Bowman continued studying dynamic capabilities and they discovered that in a turbulent and changing environment resources do not stay static and be still valuable. Resources must be evolved and developed, otherwise company has competitive advantage only shortly. By upgrading and investing into creating new strategies and growth alternatives companies may sustain the competitive advantage. (Ambrosini & Bowman 2009.)

Dynamic capabilities must have some pattern; in the other words it must be repeatable. Dynamic capabilities are used intentionally and even if it concerns strategic change and it is not a synonym for it (Ambrosini & Bowman 2009). Teece et al. (1997) argue that dynamic capabilities can recognize firm's capabilities that may be a source of dominance, it also explains how these resources could be created, extended, upgraded, developed, deployed or protected (Teece et al. 1997; Teece 2007). Dynamic capability can also be separated into capability to sense and shape opportunities. Further they also find threats, seize opportunities and maintain competitiveness (Teece 2007). Montealegre argue that dynamic



capabilities emphasize “adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competencies within a changing environment.” (Montealegre 2002: 516). The current shape and history of the company effect on the possibility of developing capabilities. (Montealegre 2002.)

Many scholars are sceptical towards the value of dynamic capabilities. However, organizational routines are also well acknowledged and organizational capabilities are used to adjust routines in the company. Winter (2003) defines organizational capability as a routine that confers management with choices with productive end results. She also uses zero-level capability to define the same phenomena. These capabilities “make a living” in the company. (Winter 2003) Ordinary capabilities are maintaining the status quo, dynamic capabilities gives the possibility for the company to decide how it may be profitable and not just enable the survival (Helfat & Winter 2011). These two capabilities differ from each other but the difference is not unambiguous. There are always change happening to some extent, radical and non-radical change cannot be distinguished and some capabilities are used for both dynamic and ordinary capabilities. Helfat and Winter (2011) conclude the question of distinction between dynamic capabilities and operational (ordinary) capabilities. They claim that capabilities are dynamic only if they are capable of doing a large number change. However, the line between these are still blurry. (Helfat & Winter 2011.)

Teece (2007) conducted three separate classes of dynamic capabilities to sustain competitive advantage in rapidly changing environment: “Sensing capability”, “seizing capability” and “transforming capability”. (Teece 2007.) Sensing and shaping new opportunities is like browsing, construct and learning activity. When searching new opportunities, company has to search across different markets and technologies and invest on R&D, it is also understanding the customer needs and the whole environment. (Teece 2009: 9-10.) Companies need to interpret and understand the information in order to create their strategies. In order to be prosperous in this capability, Teece (2007) argues that firms need to collect and interpret technological, market and competitive data from internal and external resources and make sense of it in order to steer through uncertainty and gain insight. However, managers need to carefully use the resources for search and discover as it is a scarce resource. (Teece 2007.)

When advanced technology or an opportunity is sensed, it has to be designated to new offerings. This stage usually requires investments in commercial activity development. This process is called seizing. (Teece 2009: 17.) Practically, seizing involves investments in new structures and processes in order to develop and commercialize new products or services (Teece 2007). Transformation process is the company's ability to impact and reform the resource base in a such way that these resources create sustain competitive advantage. In other words, it is an asset controlling and developing. (Ambrosini & Bowman 2009).

Zollo & Winter state that "Dynamic capability is a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness." (Zollo & Winter 2002: 340). Dynamic capabilities are created through learning. Below the learning and process and processes proposed by Ambrosini & Bowman (2009) will be discussed. These processes are used to support previously introduced categories that drive competitive advantage.

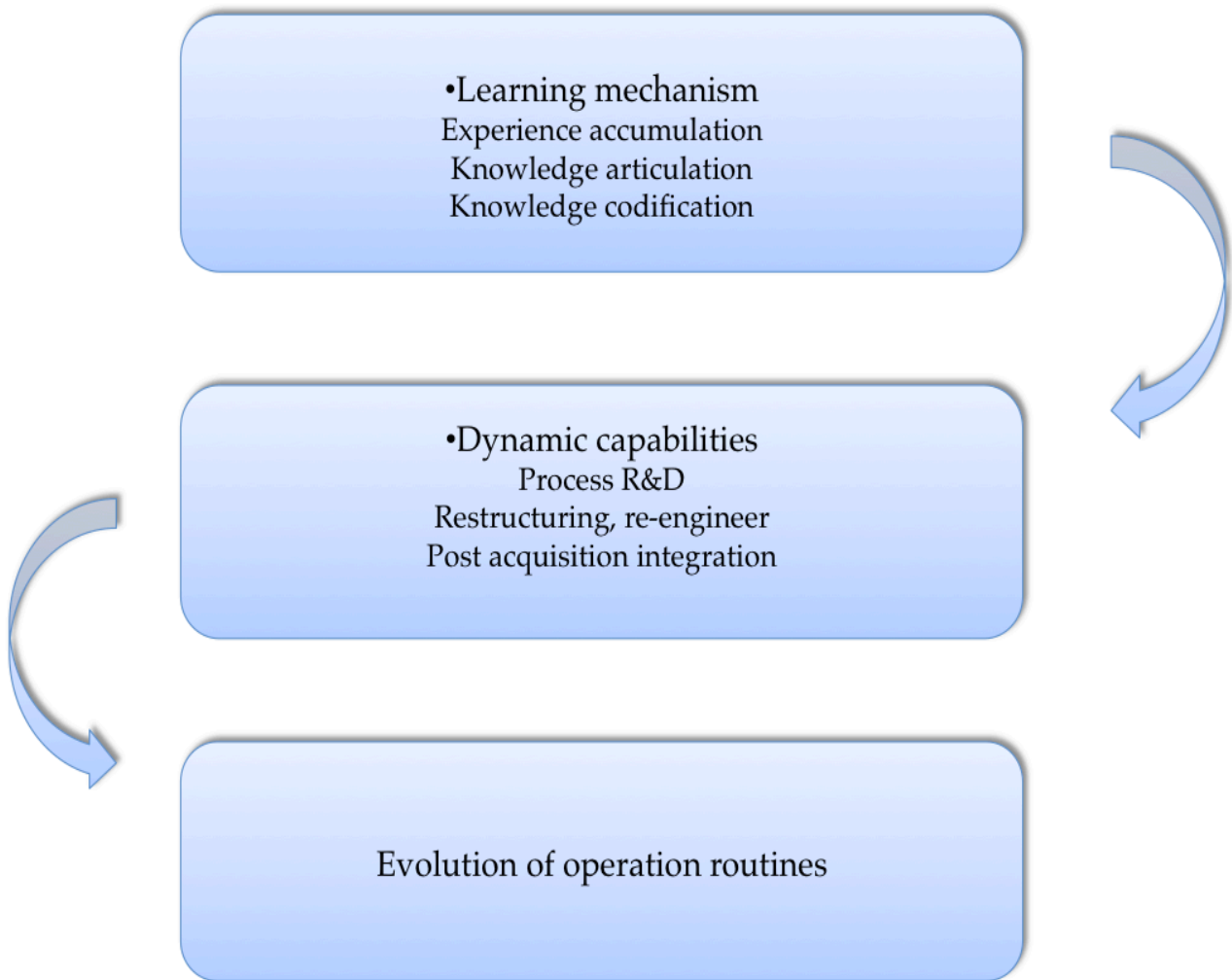
Ambrosini & Bowman (2009) propose that these processes help us to understand how dynamic capabilities operate. Processes are utilized when integrated and created resources. The main processes are "reconfiguration, leveraging, learning and creative integration." (Ambrosini & Bowman 2009: 38.) "Reconfiguration refers to transformation and recombination of assets and resources." (Ambrosini & Bowman 2009: 38). Leveraging resources gives the company possibility to shift the resources and put it to new opportunities. (Danneels 2010). Montealegre (2002) suggest that leveraging contributes a great deal when turning capabilities to flexible capabilities (Montealegre 2002). Creative integration is the ability of integrating assets and resources leading to new resource configurations (Ambrosini & Bowman 2009).

Dynamic capabilities arise from learning and it influences the methods in a company and the routines. Routines tell us how the company react to external factors. In a rapidly changing environment same organizational routines become hazardous. Therefore, a systematic change is needed to adapt with the change. If a company do not have dynamic capabilities existing, they are expected to learn it and in a rapidly changing environment learning need to be updated repeatedly. (Zollo & Winter 2002.)

In the learning process company should analyse their organizational routines and learn from experiences they encounter with. Knowledge articulation happens in groups and in individual level. Member of the organization improve the performance of the company with their actions. Codification happens after organization has studied their routines and gathered knowledge. In this step they codify the learning of the internal routines in written form. This process comes with a price, since it is time consuming and need managerial attention. (Zollo & Winter 2002.)

The level of investment in progressing the dynamic capabilities will be the smallest when the company utilize their previous experience, as the learning occurs essentially on the individual level when experiencing unsatisfactory performance. (Zollo & Winter 2002.)

Figure 3 Implies the process of dynamic capabilities and how they evolve routines. In the end the routines are getting more efficient if dynamic capabilities are applied on them. Learning process is an important process when utilizing dynamic capabilities.



**Figure 3.** Learning, dynamic capabilities and operating routines.  
Zollo & Winter (2002: 340).

#### 3.4. Dynamic capabilities and born global companies

“Over the past decade, competition has been fundamentally changing by increasing technological advancements and the globalization. product life cycle shortens and innovation requirement strengthen”. (Luo 2000: 356) However, utilization of capabilities and development is in an important role when interpreting the results of operations. (Luo 2000.) Born global companies with the best technology available and with employees that have a strong background are most likely to succeed (Weerawardena et al. 2007).

Evers (2011) propose that the three key attributes for born globals to achieve competitive advantage are, positioning, knowledge intensive offerings and niche customers. Born global companies are skilled in utilizing dynamic capabilities but according to Evers (2011) it is identified that the most important factors are the personal factors of the entrepreneur and these leads to competitive advantage. (Evers 2011.) Weerawardena et al. (2007) support this theory by implying that dynamic capabilities take form in a born global company by the individuals within the company. Different to RBV the dynamic capabilities imply that capabilities have to be analysed and evolved quickly in order to respond to the market changes. (Weerawardena et al. 2007.)

Weerawardena et al. (2007) argue that the capability building in a born globals are mainly done by entrepreneurs learning orientation. "They build and nurture the distinctive capabilities of market-focused learning, internally focused learning and networking capabilities which enable the small, innovative, international new venture to develop leading-edge knowledge intensive products." (Weerawardena 2007: 298). This makes it possible for the small and innovative, born globals to create great products. (Weerawardena et al. 2007.) The learning and knowledge is very important to born globals and relevant to the ones operating in high tech sectors and it helps them to gain competitive advantage (Weerawardena et al. 2007). Evers (2011) found out that in low and mid technology business the the knowledge is important as well. High level R&D activities should also be initiated in low tech sectors to drive innovativeness. This was especially popular amongst born globals operating in low technology sector. (Evers 2011.)

In conclusion, born global companies that utilize dynamic capabilities may be driven by the entrepreneur who develop and acquire resources, but the goal is to achieve competitive advantage by utilizing resources in a best possible way. Born global companies also enter niche markets with innovative products, this facilitate from excellent use of resources.

If a company would like to sense and seize successfully they should reconfigure the assets they possess and also change processes if they are outdated. "Organizational and technological capabilities may offer sustainable competitive advantage to a company in a rapid market only if it is able to recognize changes

and understand the consequences, and reconfigure its company specific asset base to match the requirements of the environment.” (Jantunen et al. 2005: 223)

### 3.5. Theoretical framework

After finishing the literature review of relevant theories and theoretical frameworks, the theoretical framework for this study can be conducted. If a company possess valuable resources the company may have competitive advantage (Rowe & Barnes 1998). Competitive advantage is evaluated with the help of VRIO framework. Entrepreneurial activities and entrepreneur(s) themselves/itself has an impact on the performance of the born global and on the innovation capability of the firm (Zahra & Garvis 2000) Therefore, it is necessary to study the background of the born global company. The aim is to find out how the entrepreneur affect the firm performance and how much the entrepreneur develop/acquire resources for the company. The focus is also to identify and understand processes and routines in the interviewed company.

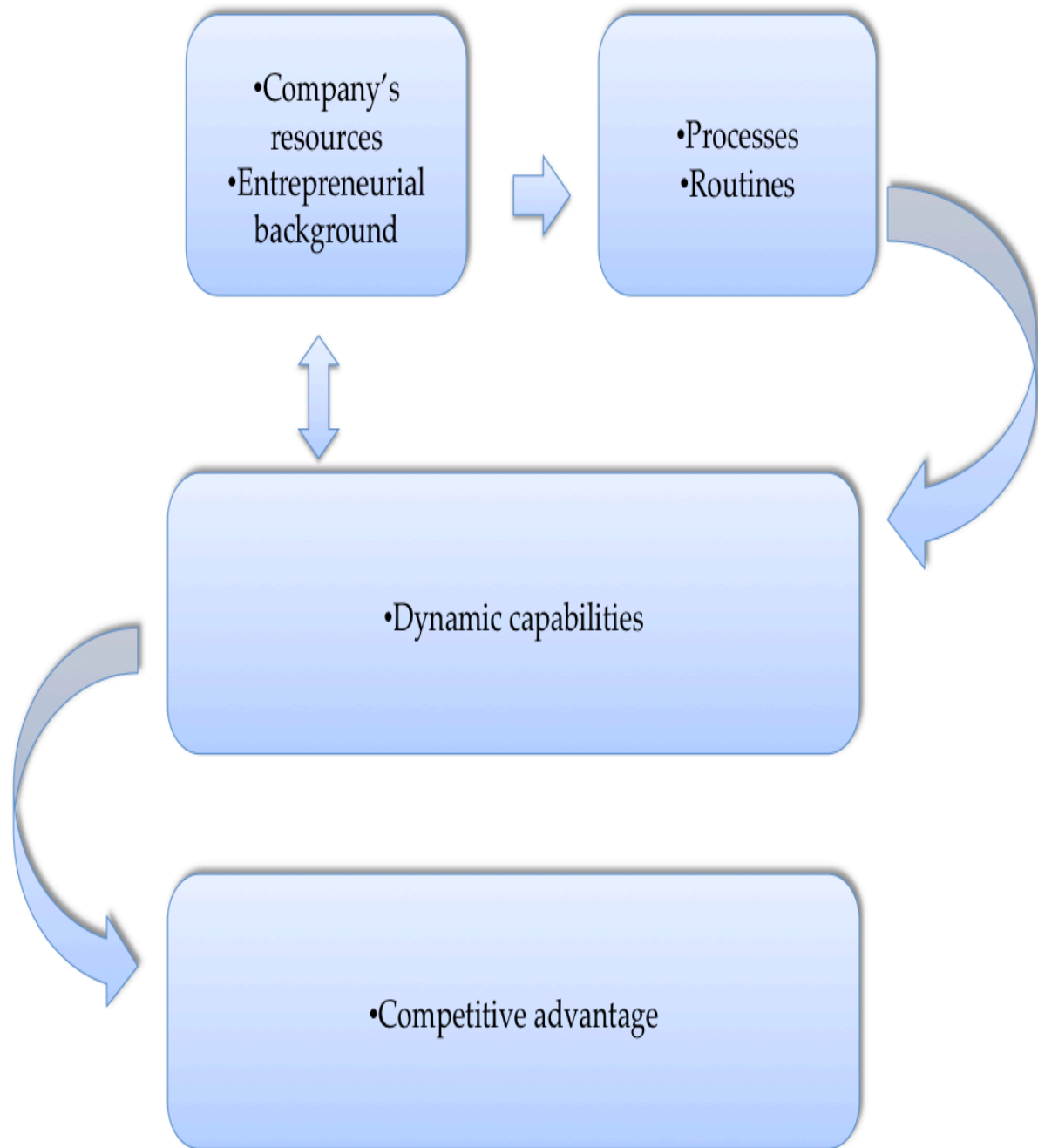
Secondly, it will be evaluated with help of the presented theory, if the company try to achieve competitive advantage by utilizing dynamic capabilities. This part will reckon how dynamic capabilities aid the performance of the company. This will extend the static theory of RBV used in the first part. Born global companies usually operate in rapidly changing environments and born globals seek competitive advantage with innovative and technologically advanced products (Kim et al. 2011). “The main processes of dynamic capabilities are reconfiguration, leveraging, learning and creative integration.” (Ambrosini & Bowman 2009: 38.) Reconfiguring processes mean that the company recombine their resources and this way react to the changes happening in the surroundings. Leveraged resource can be for example knowhow, which is replicated from some other unit (Ambrosini & Bowman 2009).

Learning and integration are self-explanatory. The focus is on these attributes but will also analyse the companies’ ability to sense and seize.

The theoretical framework tries to provide information on how born global companies utilize dynamic capabilities and what type of resources they possess. The study focuses on the resource changes and possible acquirements. The choice

to study this phenomenon will reveal how resources are utilized and developed when the environment changes rapidly.

The Figure 4 Is used as a theoretical framework in this study. The theoretical framework conducted to this study suggest that the entrepreneurial background and existing resources affects to the processes and routines and to dynamic capabilities in the form of sensing opportunities. If the company utilize dynamic capabilities and enhance their processes, resources and routines it will lead to competitive advantage, hence entrepreneur(s) has also a great impact on the process especially in the early years of the company. Below there is the theory presented in a model, which then will be used in the conclusion part to evaluate the companies.



**Figure 4.** Theoretical framework of the thesis.



## 4. METHODOLOGY

Research method can be identified as rules and procedures or “tools or ways of proceeding to solve problems” (Ghauri & Gronhaug 2010: 37) This chapter will introduce and evaluate the research approach and method used in the thesis. This thesis is a qualitative study that has multiple cases. The data is gathered through interviews conducted with the representatives of the companies. Furthermore, this chapter will justify research choice used in the thesis.

### 4.1. Research approach

There are two approaches to establish what is true and what is false. These are induction and deduction. Deduction is often utilized in the marketing research. Induction is used more widely in sociology research and management. (Perry & Jensen 2001.) In inductive study we draw conclusions from observations we empirically observe. Induction uses existing knowledge and observations to build theories. Deductive study draws conclusions through logical reasoning. In deductive study, there is a hypothesis built on existing literature, which is then empirically accepted or rejected. (Ghauri & Gronhaug 2010: 15.) Deductive reasoning is a logical process drawing conclusion from something that is known truth. Inductive reasoning is a systematic process establishing proposition on observations and facts (Ghauri & Gronhaug 2010: 16).

The two approaches do not exclude each other's. (Ghauri & Gronhaug 2010: 16). This study will mostly use deductive approach. Literature review of this study is the existing literature presented earlier and the research question is built on the existing literature. The research question is then evaluated in the case study.

### 4.2. Data collection

The main difference between qualitative and quantitative study is that the qualitative study has emphasis on understanding and interpreting a phenomenon. (Ghauri & Gronhaug 2010: 105) The choice of strategy for this thesis is qualitative as the goal is to explain a certain phenomenon. A case study

utilizes qualitative data sources and field study. Hence, it is particularly useful when the goal is to gain a rich understanding of a certain issue or phenomena. (Ghauri & Gronhaug 2010: 109.) A case study forms the research question, or hypothesis in how or why form (Yin 1994: 6). The research question of this study is a how question, which is an appropriate strategy to study this phenomenon. Often a case study is only regarded as a single case study when there is a need to understand the behaviour of one organization (Ghauri & Gronhaug 2010: 110). However, “multiple case design has increased in frequency in the recent years” (Yin 1994: 45). According to Yin (1994) the single case and multiple case study remains under the same methodological framework. Multiple case study offers more compelling evidence. (Yin 1994: 45.) In a comparative case study, the same questions are asked from multiple companies and then compared in order to draw conclusions from the possible differences and similarities (Ghauri & Gronhaug 2010: 110).

Secondary data are useful to find information on the studied issue and to understand and explain research problem. Secondary data consist of articles, books, journals and websites. (Ghauri & Gronhaug 2010: 90.) Secondary data can also be anything written (Denzin & Lincoln 2000:769). In this study secondary data are used to review the literature. Articles and books have been used to provide knowledge and formulating the research question. Secondary data is also used to fulfil the primary data in the empirical part of the study.

Primary data is used to extend our knowledge on issues that secondary data cannot answer. “There are several ways to collect the primary data such as, observations, experiments, surveys and interviews.” (Ghauri & Gronhaug 2010: 99.) Main advantage of primary data compared to secondary data is the specific information on the studied issue. Disadvantage of primary data is that collecting can require more time and can be costly. (Ghauri & Gronhaug 2010: 100.) Denzin & Lincoln argue that it is important to have limited amount of data in order to make the analysis and interpretation effective. (Denzin & Lincoln 2000:828).

One of the most important ways to collect data in a case study is an interview (Yin 1994: 84). An interview can be structured, unstructured or semi-structured. In a semi-structured interview questions, sample size and topics have been determined before (Ghauri & Gronhaug 2010: 126). This study will use a semi-structured interview. Interview can be hold in many forms and the most common

is interviewing individually and face to face but the interview can also take a form of mail or a telephone survey. (Denzin & Lincoln 2000). The topics are determined beforehand but conversation may flow freely. The study will also take advantage of triangulation of information, which is defined as using multiple sources of evidence such as interviews, websites, articles and other available information (Yin 1994: 91).

The case companies are chosen based on their willingness to participate in this study. The companies were searched from internet and when found a potential born global company they were called to ask willingness to participate to the study and to confirm they fulfil the definition of born global company. The number of companies contacted to the study is in between 50-70. All the case companies fulfil the definition of Almor & Hashai (2004) definition of born globals. They classify born global company as following: “the first international sale took place within three years after incorporation and the firm’s foreign sales account for at least 25% of its turnover”. (Almor & Hashai 2004: 9.)

Grove Comp. has 100% sales to global markets as they use Steam and other global distributors. VEO had their first sale made to global markets and from start they had over 25% of the sales abroad. 3 Step IT made their first sales to foreign countries in the third year and the degree of internationalization is over 50%.

Companies chosen for this study are VEO Oy, Grove Comp and 3 Step IT. These companies operate in different areas of business. VEO Oy operates in power distribution industry, Grove Comp in game industry and 3 Step IT in IT asset management business. The vast diversity of interviewed companies gives an opportunity to study and review operation processes and resources & usage dynamic capabilities in born global companies.

The case companies differ by many factors, not only by the industry they are operating in. Grove Comp is newly established (2014) company. There are three person working in the company not including eight teams that are developing the games for the company, since they are individual teams. However, Grove Comp. is truly a born global as all of the revenue originates from international sales. The sales of Grove Comp. were unavailable during the time of the interview and could not be published in the thesis. VEO is a Vaasa based born global company established in 1986, and with a revenue of 74 million euros in

2015, employing 350 persons. VEO's degree of internationalization is 70% and they have sales to over 130 countries. 3 Step IT oy was established in 1997 and has over 355 employees globally. The revenue of the company was in 2015, 465 million euros.

This study does not aim to generalize the results to all born global companies operating in various fields. The aim of the study is to find evidence that support previous theory. Below in Table 3 one can find information on the research methods used to extract information of the companies. Secondary data has been collected through public releases such as annual reports, blogs, company's social media and the website.

**Table 3.** Data collection.

	Interviewee	Date	Location	Other data
VEO Oy	Visa Yliluoma Executive vice president, Sales and marketing	16.12.2016	VEO headquarters, Vaasa, Finland	Annual report 2015, company's website
Grove Comp	Lasse Lehtonen, CEO	12.12.2016	University of Vaasa	Company's website, Company's social media
3 Step IT	Jarkko Veijalainen, Chairman of the board	12.01.2017	Phone interview	Company's website, Articles, Blog

### 4.3. Data analysis

Data is a carrier of information and to become information it must be interpreted (Ghauri & Gronhaug 2010: 197). In a case study the researcher interprets the data received in an interview. As the purpose of the study is to describe phenomena, the strategy for analysing should be a case description according to Yin (1994: 104). According to the theoretical framework of this study, first will be analysed the case companies by resource based view and background information of the entrepreneur(s) of the company. After analysing that the use of dynamic capabilities of the company will be evaluated. The focus will be recognizing leveraging, learning, reconfiguration and integration of resources. The last part will focus on outcome of the implementation of new technologies and how dynamic capabilities helped in bringing competitive advantage to the company.

### 4.4. Validity and reliability

When doing a research one of the most important factors of the study is that the results are valid and reliable. A valid research captures the information that it should have captured. A reliable study refers to the replicability of the study. (Ghauri & Gronhaug 2010: 78-79.) "There are three types of validity: construct validity, internal validity and external validity." (Yin 1994: 34-35). In construct validity the change that is measured should be very specific and the factors affecting the change should be presented specifically and clearly. Multiple use of sources is evident to gain construct validity. (Yin 1994: 34). Interviews are not a neutral tool of gathering data, thus the how question might form a better validity than what question. (Denzin & Lincoln 2000.) Therefore, this study uses various sources of data such as interviews, previous research, and websites. Also the change is specified and the factors that will affect it.

There is not necessarily a causality between two variables even if there would be correlation. (Ghauri & Gronhaug 2010: 83.) Internal validity occurs in data analysis when researcher interpret the data and conclude causality between two factors (Yin 1994: 35). This study focuses to find causality between the use of dynamic capabilities in a rapid technological change and competitive advantage. Therefore, researcher should take into account all possible factors affecting the correlation. To increase internal validity, there will be a question of possible other

factors affecting the correlation in the interviews. The interviews were held in person and by telephone. The interviews were semi-structured. Interviewer has to be neutral and not influencing the answers. (Denzin & Lincoln 2000:646). The interviews were casual and the interviewee did not interject any opinions to the answers in any of the three interviews.

Lastly, external validity relates to the degree of generalisation of the study. This can be generalizability of persons, settings and types of persons. (Ghauri & Gronhaug 2010: 84.) Yin (1994) claim that generalisation has been a obstacle in case studies, the results are only applicable in the case organization (Yin 1994: 36). This study does not aim to generalize the findings on all born global companies. Furthermore, the multiple case study increases the generalizability of the findings.

To increase the reliability of the study, the interviews conducted was sent to the interviewees in order to guarantee the right interpretation of the interview.

## 5. FINDINGS

This part of the thesis reveals the findings that were collected empirically through methodology. The findings will be presented and reflected to the theory previously introduced in chapters one and two. All of the companies participating in this study will be discussed separately. Later, the findings are evaluated according to the relevant theoretical framework.

### 5.1. VEO

Vaasa Engineering Oy was founded on 6<sup>th</sup> of December in 1989 by “Mauri Holma, Harri Niemelä, Henrik Skytte, Martti Manner, Pekka Haakana, Jan Sandvik, Heikki Ojakoski and Martti Ehrnrooth.” (VEO 2017a). The story behind the founding goes as following. “The three giants— ASEA, Brown Boveri and Strömberg — merged in 1986. The competitive situation of the Nordic energy technology market changed significantly and customers were concerned that prices would rise. “We wondered, whether there was anything to be done in order to maintain and develop domestic electricity technology know-how and decided to become entrepreneurs ourselves.” (VEO 2017a).

VEO operates in “automation, drives and power distribution solutions for the energy and process industries and provide their products and services to their European customers to meet their local and global needs.” (Veo 2017a). VEO manufactures control systems as the customers wish and, also boards, panels and cubicles. These are the core business of VEO. VEO’s products in many units such as power plants and vessels. (VEO 2017a.)

VEO’s operations include engineering, equipment deliveries and commissioning, they operate in many business segments such as “hydropower, wind power, power distribution, thermal power, industry and marine power.” (VEO 2017b.)

According to Yliluoma VEO has had a global vision from the start and their first sales were to Mecca and the second sale took place in Savo, Finland. The entrepreneurs wanted to make the company global right from the beginning.

However, the domestic markets were important as well. One reason behind the fast globalization, was to balance the company's revenue in case of a shift in demand. The company has been successful in gaining market share and growth rapidly in the global markets. One reason for this are the entrepreneurs who know the history of the company very well. VEO's turnover was in 2015, 74 million Euros and the growth percentage was 14%. VEO is an . (VEO 2015).

According to the interview the biggest competition VEO faces is from the big international brands and also from local small companies. VEO is at the same time a competitor for the big brands but also a customer for them.

#### 5.1.1. Entrepreneurial orientation and networking

Owners of the born globals are internationally oriented and entrepreneur minded (Weerawardena et al. 2007). This claim applies to VEO as well. The entrepreneurs behind VEO are professionals of international trade and of projects. They gained the experience in their previous employer Strömberg and many talents who work for VEO have background from Strömberg or ABB. However, nowadays the talent pool has gotten bigger and employees are recruited from different countries and with different backgrounds.

*"The entrepreneurs wanted to make VEO a strong player in the international market without forgetting homeland. "*

The entrepreneurs have had and continued to have a strong impact on the whole life cycle of the company. From the day one, they have strived the company to global markets. Karra et al. (2008) argue that top managers and founder(s) usually have experience in the industry and networks the company operates in (Karra et al. 2008). The entrepreneurs were working for another company before establishing VEO. They had the right competence and knowledge of the markets and business.

*"The 21 employees working in VEO in the end of the first year of establishment had background in projects. There were also many skilled in international business."*



“Entrepreneurial capabilities refer to the ability to identify and acquire resources.” (Karra et al. 2008: 443). These resources are needed to seize the opportunities that have been identified or created (Karra et al. 2008). The entrepreneurs of VEO have been recognizing new opportunities since the establishment of the company. The purchasing manager is also responsible for sensing new the products and opportunities. The executive board is the one who sense what are the upcoming trends and changes within the next few years. Yliluoma claims that approximately three out of five projects that aim to sense and seize the opportunities in the future are successful. One factor for such a high percentage and success of the company is the talented and experienced entrepreneurs that affect the decision making in the executive board.

From early on, the born globals entering international markets have learning advantage over the latecomers. It is based on a logic that companies who internationalize early usually have less routines that are deeply embedded. Further, they have less ties with domestic partners than latecomers. (Zhou et al. 2010.)

*“When adapting new technologies amongst the first, it creates credibility and substantiate the knowledge of the company.”*

VEO has a focus on the learning process as they are usually the first to adopt the newest technologies to their product family. VEO invest plenty of resources to enhance the processes. They invest in different processes on different periods of time. According to Yliluoma the main goal is to make the processes as effective as possible. One example of a process that has been enhanced is the largest switchgear factory in the Nordics, which is located in Vaasa. Processes and learning is an important resource for VEO and they develop the processes and learn continuously.

Throughout the whole lifecycle of VEO the learning has been important process. In the beginning they had professional employees and entrepreneurs and they had professionals of internationalization. VEO has not faced the traditional learning advantage of newness but the whole organization has been able to learn and develop the company. The aging has not brought any obstacles that hinders the learning. The right competence and right decisions in the beginning have made learning advantage of newness in this organization unnecessary.

Networks are important for born global companies to overcome their deficiencies and shortage of reputation and financial shortages (Sepulveda & Gabrielsson 2013). Understanding the successful founding of born global company, requires it “looking back beyond the founding of the company, to the entrepreneur’s previous experience and their existing networks.” (Karra, Phillips & Tracey 2008: 442).

Networks have been crucial for the company and according to Yliluoma it has enabled the rapid growth. In the early stages the networks from the entrepreneurs helped to overcome shortages. In Finland VEO has grown with the wood industry and in year 2005 approximately half of the revenue originated from the co-operation. VEO had strong networks with the wood industry and it made it possible to grow so rapidly. However, after the wood industry became less important for VEO they have only weak tie networks. VEO also managed to expand to global markets with the wood industry. VEO has many other companies that they do co-operation with. Vaccon Oy for instance is a company VEO had a share in before it was purchased by Danfoss Oy and now the former Vaccon Oy is the second biggest player in frequency converter industry.

*“It may take from 1,5 years up to 5 years to open a new customership and the references needs to be appropriate in order to secure the customer. In Norway one customer have opened the door to other customerships. You also have to be very active towards subcontractors, since ownerships usually cross in power distribution companies.”*

Networks are also used to gain information on upcoming projects, if a lead is received from a public source then you are already late for good. VEO has exquisitely managed to fully utilize the networks they possess since they are able to learn about new investments early on. The networks VEO has are mainly weak networks as they are not tied to other companies. They have networks to MNC companies such as Wärtsilä Oyj and ABB Oy but they are not dependent of the relationships with them. VEO can use products from all manufacturers.

### 5.1.2. Resources and dynamic capabilities

Resources are everything that could be an advantage or a disadvantage to the firm (Wernerfelt 1984). Resources are specific assets controlled by companies and these resources are used to develop or implement strategies (Montealegre 2002).

*“From the customer’s point of view the project management knowledge is an important resource, as well as skilled project managers, team and designers. Around these elements there needs to be service, sales and management that can negotiate with the customer. Overall the most important resource of the company is the knowhow. “*

The management of the company is also crucial resource as they create the strategies. Yliluoma points out that the politics controls the investments and that is a major pitfall, since politics is hard to forecast and the Finnish parliament is reformed in every four years, which is a short period of time in a business where the payback period is usually relatively long.

Processes and routines are well-established in the company, as they are clearly described. The main processes guide the whole company’s business and these processes are revised within three years of last revision. However, nowadays the investment decisions from customer side are made in the last minute thus it is essential to be able to accomplish the project in a given timeframe.

Knowledge articulation happens in groups and in individual level. Member of the organization improve the performance of the company with their actions. Codification happens after organization has studied their routines and gathered knowledge. (Zollo & Winter 2002.) The knowledge of VEO is both articulation and codification and that is their main resource. The effectively code the knowledge and processes they have.

The main barriers what VEO face with their resources are the education of the employees. The most important resource of VEO is the knowledge what they hold. Further, their individuals learn and gain this knowledge from other employees as well. It is crucial to be able to share the knowledge within the company. However, this may be sometimes challenging as some of the new

employees are very skilled and some need more education. VEO holds onto valuable resources.

The Table 4 evaluates the most important resource for VEO the knowledge. According to VRIO analysis VEO has valuable resources that create sustained competitive advantage for them. The knowledge resource includes both articulation and codification. The resource analysed is a dynamical capability as it is intangible resource.

**Table 4.** VRIO model of VEO's knowledge resource.

Valuable?	Rare?	Costly to imitate?	Exploited by the organization?	Competitive implications
No	-	-	No	Competitive disadvantage
Yes	No	-		Competitive parity
Yes	Yes	No		Temporary competitive advantage
<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Sustained competitive advantage</b>

(Barney 1996: 163)

“Dynamic capabilities are the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments.” (Teece et al. 1997: 516). VEO operates in a rapidly changing environment and they face annually situations where the environment changes, which leads to a situation where they have to adjust their operations for instance shifting balance between business areas.

In 2007 investments in wood industry ended in Finland and VEO had to shift the operations to other business area in order to cover the gap in sales. VEO took the change as a possibility and expanded to Norway. They established a sales company to Norway and penetrated the markets. Yliluoma states that they managed to transform from an industry background in power distribution. VEO is strong in developing technologies and in research & development which have helped them to overcome rapid and big changes in the business environment. In the shift from wood industry to power distribution they primarily invested in the human resources. They acquired new talents to exploit the networks of them and to penetrate the markets faster than they otherwise could have penetrated.

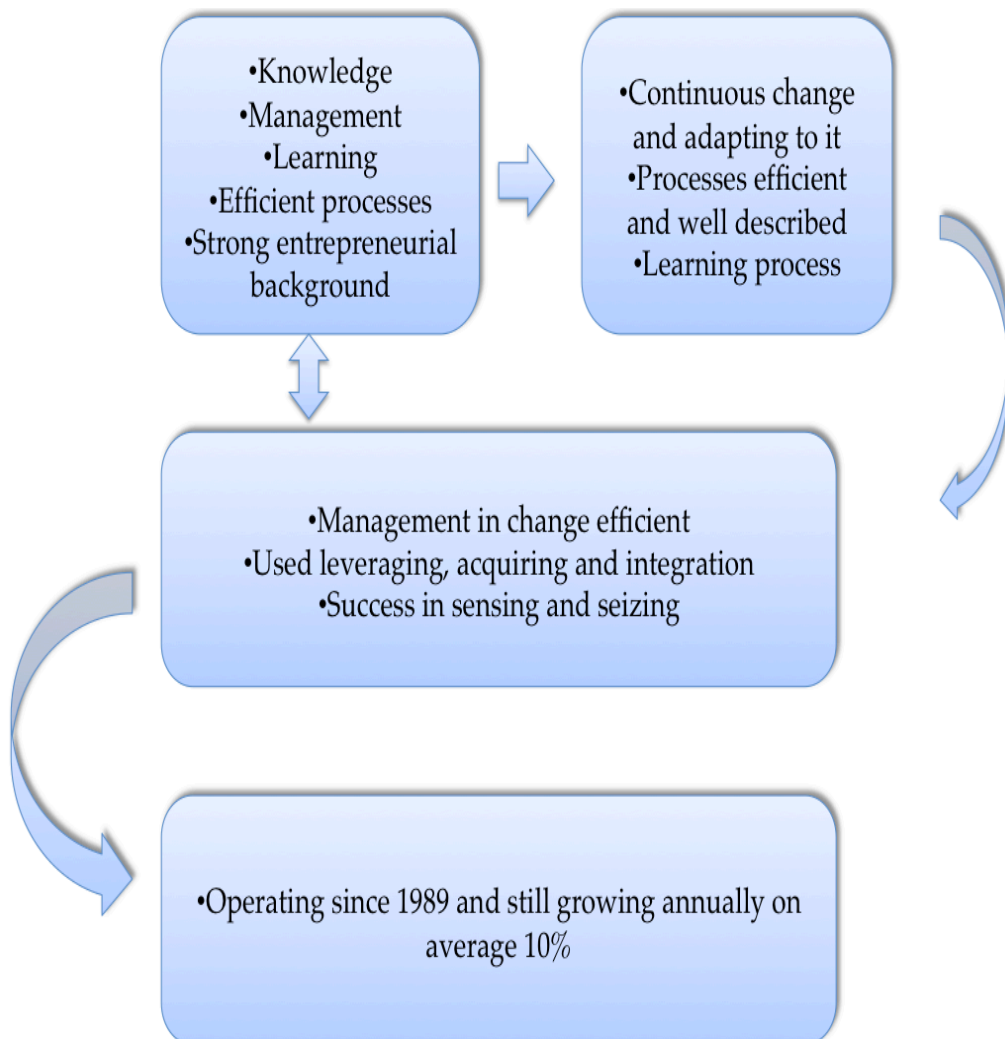
VEO also changed the internal procedures. Those who possess language skills and other knowledge were transformed to project teams that were working with the Norwegian, Swedish and Russian markets. There were new team leaders and business units and change of project managers. The change was big and the whole company had to go through it. However, it was successful and VEO managed to cover the decrease in sales.

*“Change is always a possibility, but you have to find the ones who believe in it and put themselves all in, if you do not possess that kind of talent you have to acquire it. If the change is not successful with your own resources, acquire the needed resources.”*

VEO has utilized dynamic capabilities in their business and especially in the rapid changes they face continuously. They utilized dynamic capabilities widely in the transformation to the Norwegian markets. They leveraged and reconfigured their existing resources in order to utilize them more efficiently as they were going to penetrate the Norwegian markets. VEO acquired new resources to help to overcome barriers of the Norwegian markets such as the lack of networks, which are essential in the business VEO are in. The use of dynamic capabilities was successful and the company considers change as an opportunity more than a threat.

Sensing and seizing happens mainly by the management level who are the entrepreneurs behind the company. The sensing and seizing of the company have been exceptionally effective since three out of five new top priority projects are success.

In the Figure 5 the theoretical framework is adapted to VEO's practices. The resources affect the processes. For example, learning is a resource but it is also an important process. The strong entrepreneurial background can be seen in all parts of the company and the entrepreneurs have had a major impact on the life cycle of the company. VEO has applied dynamic capabilities on resources, processes & routines, the company operates in a rapidly changing environment and the dynamic capabilities has helped them to overcome challenges when the environment is changing. For instance, when VEO shifted business area. The change was made by using dynamic capabilities and it was a success. The processes are also changed/checked every three years and if there is need dynamic capabilities are applied in order to create competitive advantage.



**Figure 5.** Theoretical framework applied on VEO.

## 5.2. Grove Comp

Grove comp was founded by Lasse Lehtonen and he is the major owner of the company. The company is a sole trader but will be transformed to a limited company. After the shift Lehtonen is still going to be a major owner of the company but an external investor and two employees are going to own minority of the shares. Grove Comp is the first Finnish indie game publisher.

In 2010 Lehtonen became interested in gaming industry and soon he got involved in it. He took part in multiple projects mostly as a graphic designer, during that time he gained broad networks. In 2014 there was no competition in indie game publishing and Lehtonen decided to establish a company that is focused on indie game publishing. The publisher is a link between platforms that control and distribute video games online. Steam is globally known and one of the leading distributors of PC games. In addition to Steam Grove Comp publishes on Apple Store, Amazon and on Google Play. Localisation of the products are important since Amazon is more popular than Google Play in the United States of America and in Russia, in Asia there are individual stores that publish applications. Sapienza et al. argue that internationalization should be delayed until developed fungible resources to buffer the costs (Sapienza et al. 2006). However, Grove Comp. have implemented a truly global vision and internationalized in the very beginning.

Grove Comp operates in indie game publishing. The teams working in the field are according to Lehtonen poorly organized. Therefore, there is a need for a company that organize teams and make sure that the games they release are working. Grove Comp also creates teams that produce games. Grove Comp has eight upcoming projects and one game that has been published in Steam.

The first year business profit was slightly on the profit side and this year Grove Comp is going to make some losses due the heavy investments they have ongoing. The company is still in their early years but the company has a global vision and strive fast growth. Grove Comp and the investors do not use financial growth as an indicator but the number of social media followers' growth. The aim is to maximize the number of potential customers and when the critical mass is achieved it will generate to sales, which then will grow exponentially.

### 5.2.1 Entrepreneurial orientation and networking

Grove Comp has one entrepreneur and two people working for the company. Entrepreneur has multiple roles as the company is relatively young. The roles the entrepreneur is working with are for instance, corporate collaboration and many other actions. Grove Comp publishes games that are made by small teams, these teams may be located all over the world.

*“Indie game teams are poorly organized and the teams may forget to add the music in the game. Therefore, a publisher is needed to organize the teams and make a success of the game.”*

What matters most for Grove Comp is the attitude and skill they are able to offer. That is the most important factor when establishing new connections with teams. The entrepreneur travels annually to Dallas where is a gaming convention. There he is able to build networks and find new teams that develop games, which Grove Comp then publishes. The entrepreneur has a major role in talent acquisition and it is mostly concentrated on his ability to find new teams.

*“In international teams the geolocation of a person does not matter. What matters the most is the attitude and skills the person is able to bring to the team.”*

The entrepreneur of Grove Comp co-operates with the marketing manager when evaluating new projects, they seek new opportunities in new projects, investors and in many other areas. Lehtonen claims that he mainly senses these new opportunities, but whenever necessary he uses the team as his assistance. Employees do get paid in provisions and after the transformation to a limited company in dividends. The financial risk is with the entrepreneur. Therefore, the need to sense and seize is the biggest for him.

*“One challenging factor in the business is the fact that it is entertainment business. One has to please the crowd, but it is important not to be too radical, since some potential customers could get offended. However, marketing is not effective if it is made too carefully”*

Gaming industry is challenging as the technology develops continuously and there are new ways to create games and new trends in the industry. Companies



have to be very agile and reactive to new changes, but maintain the high standards albeit the rapidly changing environment. Grove Comp has sensed the new trends and they are investing resources in mobile virtual reality since many companies are waiting the technology to develop or focuses on the PC virtual reality. The aim for Grove Comp is to be first experience of virtual reality for mobile users. In this specific business area there is almost non-existent competition. Entrepreneur have also sensed a new monetization model. All in all, Grove Comp operates in rapidly changing environment and the entrepreneur has a major role in deciding where the company is focusing its business.

Networks are crucial for a small, and new company like Grove Comp but overall in gaming industry networks play a big role. The most important network for Grove Comp is Steam. Also networks amongst the developer teams are important in order to find the best and most suitable teams to develop games. Networks Grove Comp. utilize are weak ties since the relationship with Steam and other publishers are not very strong. Moreover, Grove Comp. has wide weak tie networks where they try to find new teams to develop games for them.

*"It is important to motivate and believe in the teams as a small company like Grove Comp do not get the best game developers on the market."*

Grove Comp is competing in a niche market where there is no competition or just a little competition and it is a competitive advantage for Grove Comp. However, in indie publishing there are few competitors that have started and Grove Comp has to carefully consider what games ought to be published.

*"The company is doing something that no one else is doing, you wind up to gaming industry because of the interest in it not for the good opportunities it gives you."*

### 5.2.2 Resources and dynamic capabilities

The most important resource that Grove Comp holds on is the human resources. Teams develop games for Grove Comp to publish. There are usually seven people in a team and Grove Comp has eight teams around the world. Another important resource is the capital and especially the effective use of it. Grove Comp is able to generate a great deal of views and likes in their social media accounts with small investments.

*“It helps when you have capital and some investments to the company. It is also very important to be able to efficiently use the capital.”*

The biggest threats to resources are the lack of capital. There is not enough of money to execute everything desired and people involved in teams do not get regular salary. Moreover, they have their studies ongoing so they cannot engage fully to the game development.

*“Communication between the teams is sometimes hard as people study and work at the same time. once the SSL key expired and all the emails went to spam. You learn all the time from your mistakes.”*

**Table 5.** VRIO framework applied on Grove Comp. human resources.

Valuable?	Rare?	Costly to imitate?	Exploited by the organization?	Competitive implications
No	-	-	No	Competitive disadvantage
Yes	No	-		Competitive parity
<b>Yes</b>	<b>No</b>	<b>No</b>		<b>Temporary competitive advantage</b>
Yes	Yes	Yes	Yes	Sustained competitive advantage

(Barney 1996: 163)

In Table 5 Grove Comp most valuable resource has been evaluated using the VRIO framework. The most valuable resource is the human resources Grove

Comp possess. Grove Comp. most valuable resource is intangible and dynamical capability.

Grove Comp has human resources that are valuable and somewhat rare. However, the resources they hold can be imitated and Lehtonen stated that the best individuals are taken by bigger companies. Therefore, it is not costly imitate nor rare. However, the competitive advantage of Grove Comp comes from playing in the niche markets and sensing opportunities such as the mobile virtual reality before competitors do. This enables the company to survive and seek future profits from markets that are not yet competed. In a sense the company is truly innovative, for instance the products they have are not a reason for sustained competitive advantage.

*“Resources are common and anyone can collect a team and publish. It is not a great innovation to do this. It’s more like right people at right time. There are not many people willing to do this business as it is so challenging.”*

Grove Comp has strategies made up ready if a game become hugely popular. They invest internal resources to the game that is a success. If a game does not succeed there are some updates once in two months to make the game more interesting. Grove Comp try to find blue oceans where there are less competition and new opportunities. A small and agile company is able to find these markets in rapidly changing gaming industry.

*“Angry birds was Rovio’s 86<sup>th</sup> game, which then was a hit for them. It is important to have many projects since there is no way of knowing which game is going to be popular and which not.”*

The key processes of Grove Comp are monthly performance appraisal. The focus has been on the operating model and how it can be developed. Supervision of the game projects is also a crucial process that has been established, there are weekly meetings with the teams and in the meetings Grove Comp evaluate the process and give goals for the teams. It is also important to regularly test the games with a test group, since if the game is technically good but no one likes it, it is a waste of resources. Grove Comp has also a process to send one person of the company to nearby conventions, to make the brand more known in the gaming industry.

*“In the weekly meetings, it is also discussed how teams might be able to do more work without burnouts. The teams are only paid after publishing the game. Therefore, the motivation of the teams is hard to keep up. The processes we use are not very stable and if there is a need to change, it will be changed.”*

Grove Comp has had a strong learning advantage of newness and their learning process has been explorative. The LAN has been clearly noticeable in the company as the entrepreneur mentioned they have become professionals of the greenlight system that permits the games to Steam and they have learned what are the best practises relatively quickly. Therefore, Grove Comp. has faced learning advantage of newness. What remains to be seen if the maturity in upcoming years bring impediments which will hamper the advantage.

There have been multiple failures and projects that have not been finished at all. These failures have made the company to understand better what attributes are a source of competitive advantage and what are not. Grove Comp do not take massive projects, since these projects more often end in a failure than the smaller ones.

*“Grove Comp adapt to the change by taking new type of projects rather than adapting to the environmental change by adjusting operation models. If operation models are being changed it is due the internal development solely.”*

Recently the demand for virtual reality has increased and Grove Comp has sensed that it is profitable to shift focus towards virtual reality. They have reduced the amount pixel graphic game projects since there is shift in demand. In this change Grove Comp uses acquisition of new teams and reconfigure teams and individuals in order to cope with the change in the industry. One new business area Grove Comp is going to invest is the board game industry.

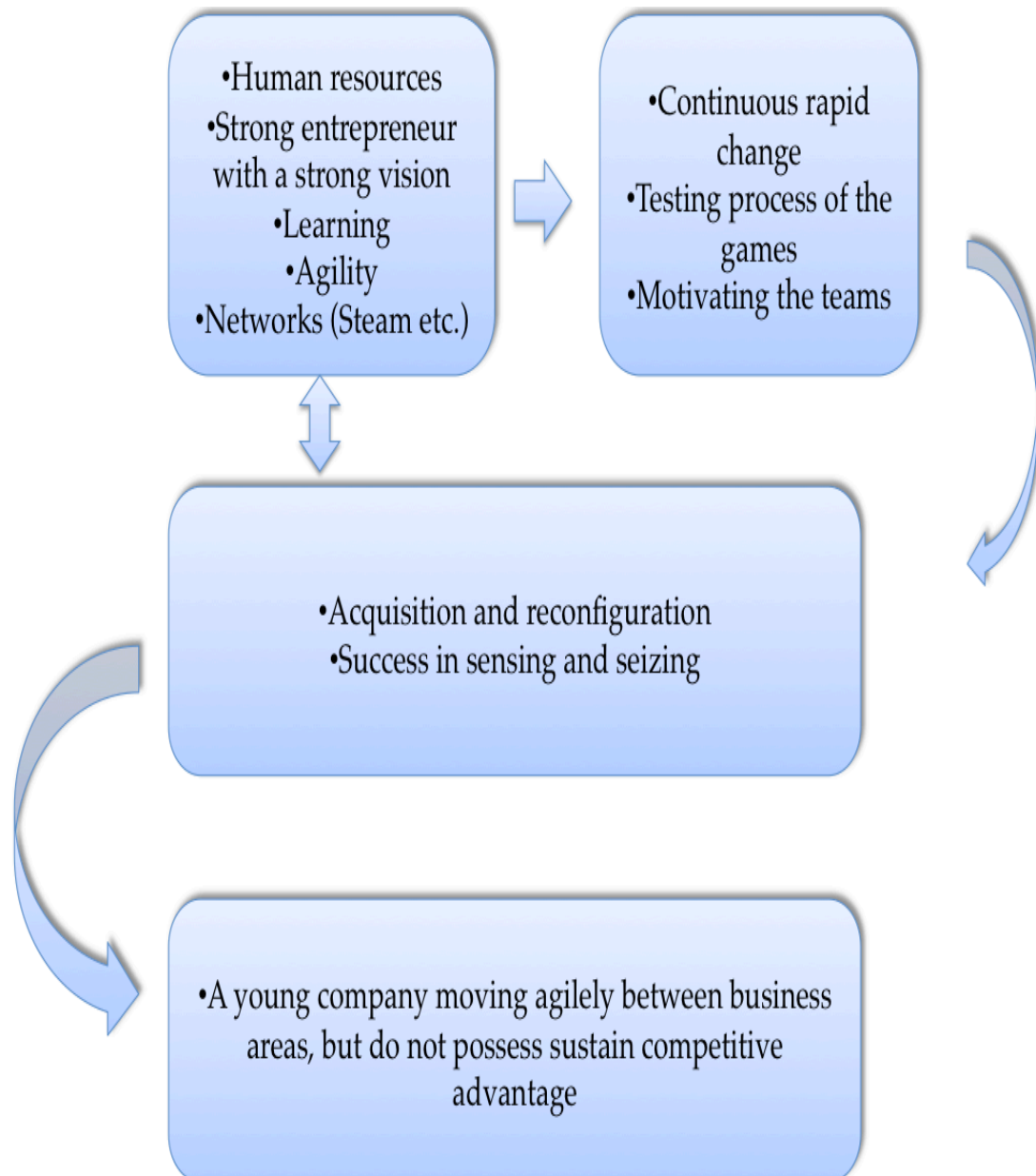
The process of making the game has changed and nowadays many teams contact Grove Comp and then Grove Comp evaluates the idea the team has. Grove Comp has gotten global publicity by publishing a blog post related to steam greenlight system, which is the one and only way to publish in Steam.

Grove Comp does not hold on to any resources that are rare or difficult to imitate. However, they are rapidly growing and successful in the business where they

operate in. Usually born global companies hold to some valuable and rare product/service which leads them to competitive advantage. Grove Comp does differ from this group by operating with resources that are available to all competitors. They operate in many business areas and are so agile moving between these areas that it creates the competitive advantage for them. Grove Comp is the first one to sense the new business opportunities in gaming industry and hence they are able to survive, when the business area is found by the competitors Grove Comp moves to a new business area where the competition is not so fierce.

Sensing of the company mainly happens by the entrepreneur Lasse Lehtonen. He is able to sense opportunities and is willing to make these rapid shifts in order to find new opportunities and new markets that are not competitive.

In the Figure 6 the theoretical framework is applied to Grove Comp. Grove Comp has multiple resources which are valuable for them, but there is no valuable, rare and costly to imitate resources yet. The company has some processes which are continuously evaluated and developed. Grove Comp utilizes dynamic capabilities to some extent and especially the sensing of new opportunities is helping them to survive in the gaming industry. Grove Comp is still in their early years and one could expect growth and profits in the future, but for now the aim is to survive and develop the resources they possess. Furthermore, the strategies and sensing could be a competitive advantage in the future.



**Figure 6.** Theoretical framework applied on Grove Comp.

### 5.3. 3 Step IT

3 Step IT was founded in Finland in 1997 by colleagues Jarkko Veijalainen and Marko Sjöman. The core business of 3 Step IT is to offer the clients a cost-effective and complete lifecycle service for IT devices, to help the clients to acquire, manage, sustainably renew and responsibly dispose of IT assets. 3 Step IT is a large reseller of refurbished technology, selling over 300,000 devices in 2015. (3 Step IT 2017a.)

The entrepreneurs saw a business opportunity in computers that were used by companies and communities but became outdated. The entrepreneurs wanted to find a customer based solution and they founded the company. 3 Step IT has subsidiaries in many European and Asian countries.

3 Step IT has the whole computers & mobile devices lifecycle covered. First of all, they offer IT asset management. It helps the customer to maintain an up-to-date IT asset database, which is refreshed as equipment changes. One service is to monitor the status of dozens of laptops, tablets and smartphones across multiple locations. (3 Step IT 2017b). 3 Step IT has also a sustainable way to manage and refresh IT devices, as these new devices become obsolescent, a sustainable approach to their use and reuse is critical for a healthy planet. (3 Step IT 2017a) 3 Step IT has also financing and leasing option for companies. There are some other services 3 Step IT offers but these are the main solutions that are covered in the thesis in order to gain understanding to the business area 3 Step IT is operating in.

The internationalization process of 3 Step IT is relatively normal process according to Veijalainen. First step was taken in 2000 when the company penetrated to the Swedish market and simultaneously to Estonian markets. In few years they expanded to the Nordic countries. 3 Step IT operates in multiple countries around the world and have over 4000 customers globally. (3 Step IT 2017a).

*“The process of internationalization has been learning from mistakes. We have slowly tried it and learnt from the mistakes we have made. Internationalization was challenging and we could have done many things differently.”*

### 5.3.1. Entrepreneurial orientation and networking

In the beginning there was only two persons in the company, the entrepreneurs. They had to cover all the possible roles without any employees. The goal of the company in the beginning was to try if their business idea would be profitable. The founders took a loan from the bank and decided to try for 12 months the business idea. The only goal was to survive the first 12 months. After a successful 12 months they conducted a five-year plan. In 1999 the idea had proven to be profitable and the entrepreneurs decided to take in external stakeholders. This

lead to fast growth and internationalization. In 2004 Jarkko Veijalainen stepped down from the role of a CEO and since then he has been the chairman of the board.

In the beginning the entrepreneurs were the ones who sensed and seized all the opportunities and the business idea was sensed by them. In interview of Kauppalehti (2016), Veijalainen claims that the company looks like his company -here we are able to laugh do sports and hug if needed (Kauppalehti 2016). The entrepreneurs have had a great impact on how the company operates and has survived the early years.

Nowadays the role has changed as Veijalainen is the head of the board and not involved in the operational side of the company. The role is to evaluate how the company's strategy is reflecting towards the ongoing trends. New products and services transform into processes and that is an important part of the company. 3 Step IT has an organization that does not completely rely on the entrepreneurs' skill on sensing and seizing, the whole organization sense opportunities and continuously develop itself. The entrepreneurs had a major impact in the early years, which then have evolved to an organization that is capable of sensing and seizing. However, the entrepreneurs still remain in a position where they can oversee the future trends. Therefore, the sensing and seizing is also related on the entrepreneurs' individual vision and skills.

*"We have a learning organization, which is eager to learn and develop. We encourage that process in all levels."*

Networks are in a key role for 3 Step IT. In the beginning it was important to be reliable in order to get to the right networks in order to start the business and the role of the networks has not decreased over the years. Veijalainen states that networks are important and that you need partners in all areas of business in order to succeed in your own business. 3 Step IT utilize weak tie networks which makes it possible to be agile in the markets and one of most important features of 3 Step IT.

*"Route to market is easier when you have networks which give you access to the markets and it is easier to do co-operation with a local company that already has networks. To build the route to market by yourself is too consuming."*



For 3 Step IT most challenging feature in the business environment is to find a suitable distribution channel. In order to overcome this, they try to find partnerships and try different variations to find the most suitable channel.

### 5.3.2. Resources and dynamic capabilities

The most important resource for 3 Step IT is the human resource. Veijalainen emphasize that nothing else is as important as the human resources in the company. For 3 Step IT the challenge in these resources is if the expectations of the employer and employee match. To find the right type of people to the teams is also challenging. The attitude of the employee is a critical factor since every company has their own culture.

*“It is important that both employee and employer are able to communicate efficiently about goals and expectations. Moreover, the employer needs to keep employees extremely motivated and excited about the job.”*

3 Step IT has had from the beginning an operation model. In the beginning it was easy to communicate what are the operation models but when the company has grown the processes have become eclectic in all business areas the company operates in. For 3 Step IT it has been important to retain as an agile company.

*“The skill to retain agility and entrepreneurial mind-set is an important process for us.”*

**Table 6.** VRIO framework applied on 3 Step IT human resources.

Valuable?	Rare?	Costly to imitate?	Exploited by the organization?	Competitive implications
No	-	-	No	Competitive disadvantage
Yes	No	-		Competitive parity
Yes	No	No		Temporary competitive advantage
<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Sustained competitive advantage</b>

(Barney 1996: 163)

As can be seen in the Table 6 the key resource of 3 Step IT has been evaluated according to VRIO framework. 3 Step IT possess valuable and rare resource, the main resource are the employees who own a great attitude and are ready to continuously learn. This resource is valuable, rare and costly to imitate as the knowledge is unique resource. This will help 3 Step IT to overcome rapid changes happening in the business environment and gives 3 Step IT sustain competitive advantage if they manage to keep the employees motivated and find people with right attitude fitting to their working culture. The most valuable resource for 3 Step IT, human resource is an intangible and a dynamical capability.

3 Step IT has strong focus on learning and the learning process is named launch & learn. The normal process for learning would be learn & launch where the planning part takes a lot of time, but 3 Step IT has turned the process around. The core idea is to try the idea and learn from the mistakes. This way it is possible to sense if the customers are willing to buy the product or not and if not then there has been used only few resources to find it out. Learning advantage of

newness apply to the company as learning is a process for the company and from the beginning 3 Step IT has tried if their idea is good enough to sell and learnt from the mistakes they have made. They continue with the strong learning focus still after 20 years of business.

*“We’ll see if the idea works and if it does it will be developed further, if it doesn’t then we should fail fast.”*

3 Step IT offers plenty of education for their employees and communication throughout the whole organization, which is considered essential for the company to survive and grow. 3 Step IT uses a slogan: “learning every day”. They want to challenge employees to learn something new every day or week. The focus is to have varying weeks so that the employees are able to challenge themselves and ask what new they have learnt this week. Veijalainen states that the change is continuous and it is important to learn something new weekly. There are plenty of information and opportunities offered in the company and from those the employees can learn. Moreover, Veijalainen also emphasize that a lot depends on the attitude of the employee, since the change is continuous and it does not fit for everyone. It is an ability to be in a constant change. When the company faces major changes in the business environment are these changes implemented by educating the employees to the specific issue.

3 Step IT has experienced the learning advantage of newness. They have learnt rapidly in the early years on how to internationalize. The internationalization has been successful according to Veijalainen and mostly the learning process has originated from the risk taking. 3 Step IT has been established for 20 years but the learning of the whole organization remains important part of the company. There are no signs of any impediments that would slow down the learning of internationalization nor learning overall.

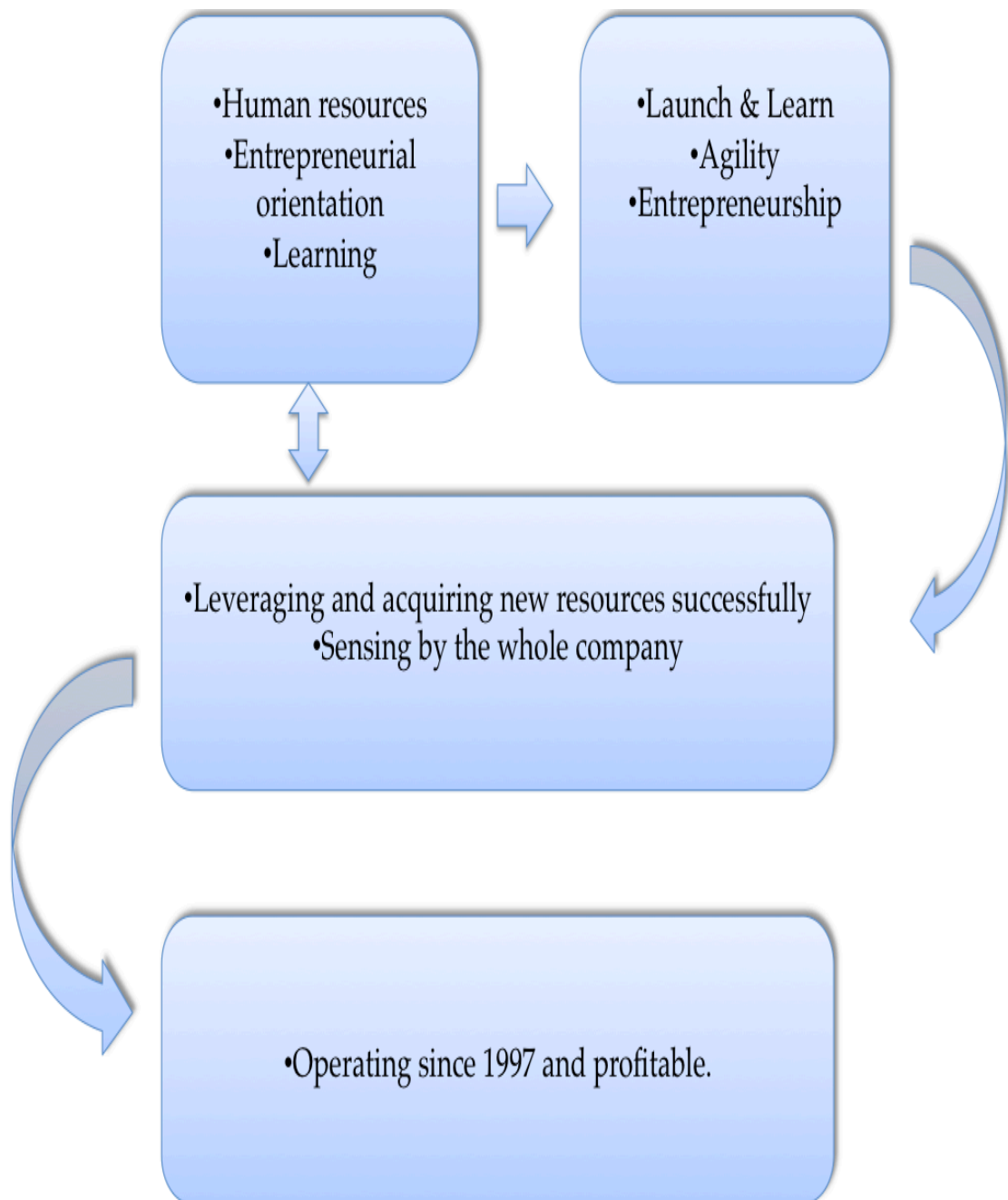
3 Step IT strive to a situation where the employees are ready for a change and are able to learn constantly. However, sometimes there is a need for external knowledge. The priority is to leverage and transform the knowledge internally if needed but if the knowledge needed is out of the knowledge the company holds on to 3 Step IT may acquire this knowledge externally. The company seek to find and develop the knowledge internally as long as possible.

*“The goal is that employees can look for jobs and opportunities within the company and that they can develop to more demanding jobs and get more responsibility. That is the best scenario.”*

3 Step IT has their focus on developing the skills of employees constantly and it is an important process and a capability, since the company leverage and transform internally capabilities and knowledge rather than acquire externally. However, if the right competence is not found internally do they acquire the needed resources externally. The company is experienced with the continuous change and are able to overcome challenges of a change easily by exploiting dynamic capabilities such as leveraging.

Sensing and seizing has happened in the beginning mainly by the entrepreneurs, but they have introduced a culture where the organization tests the ideas and learns from mistakes they make, which means the whole organization have the capability to sense potential business opportunities. However, the entrepreneurs still remain in a position where they can oversee the future trends. Therefore, the sensing and seizing is also related on the entrepreneurs' individual vision and skills.

In the figure 7 can be seen the theoretical framework applied to 3 Step IT. The resources affect to processes and to dynamic capabilities. Dynamic capabilities are utilized when company leverages resources internally in order to react to the change. They mainly use leveraging and learning inside the company but when needed resources are acquired externally if they lack the right competence. The company has managed to grow to a company with over 350 employees and revenue of 465 million euros.



**Figure 7.** Theoretical framework applied on 3 Step IT.

## 6. DISCUSSION AND CONCLUSIONS

The final chapter will summarize and discuss the results of the study. The research question and objectives will be analysed with the help of the methodology. Furthermore, managerial and theoretical implications are discussed and suggestions for future research.

### 6.1. Conclusions

The goal of the thesis was to identify what type of actions born global companies take to utilize their resources better and how dynamic capabilities effect on the decisions the company makes, such as acquiring resources or modifying them. This thesis also explains how born global companies are able to survive and get growth relatively fast. This study has three companies from different phases of lifecycle and from various industries. This gives insights on how companies from different industries and ages utilize dynamic capabilities and their resources. The research question of the thesis is presented below.

How born global companies utilize dynamic capabilities in a rapidly changing environment and does it have an influence on the competitive advantage of the born global company?

Chapter 1 presented also objectives that were studied and asked in the interview. These objectives help to understand the general phenomena.

- 1. How key features of born globals such as entrepreneurship and networks effect the born global company? How the company utilize sensing and seizing capabilities?*
- 2. What are the key resources of the companies?*
- 3. How a born global company exploits dynamic capabilities?*

Findings based on three case companies interviewed indicate that entrepreneurial orientation is strong in the case companies. The founders all have

entrepreneurial mind-set and a strong vision on the internationalization and how the company should be developed now and in the future. All entrepreneurs of the case companies are able to sense and seize opportunities exceptionally. The roles of the entrepreneurs were varying but in the beginning the entrepreneurs had an impact on multiple roles.

In the beginning the entrepreneurs felt that they just try to survive and after survival build a fast growth for the company. This result confirms Knight & Cavusgil (2004) interpretation that born global companies have strong entrepreneurial orientation (Knight & Cavusgil 2004). In addition, the entrepreneurs of two case companies had experience of the industry before creating the company. Furthermore, the role of the entrepreneur decreased in the operational role at a certain point, in two cases the entrepreneurs were still involved in the strategical role of the company since they were members of the board. In conclusion entrepreneurial orientation is one of the biggest factors that affect how the born global company evolves and the role of the entrepreneur is enormous in the early years of the company.

Networks verified to be crucial for the born global companies. Born global companies use networks for multiple reasons, they may acquire knowledge from the networks and overcome their shortages in the funding. This proved to be true. Case companies emphasized that the networks are one of the most important factors to the business and the role of the networks have not been decreased when growing vice versa the role of networks has become even more important. Networks enable born globals to penetrate new markets and new business areas. Case companies mostly utilize weak tie networks instead of having strong ties with their networks, this enables the agility for the companies and, if the company do not possess right networks, it is possible to acquire resources that gives access to the networks. 3 Step IT and VEO used networks in order to gain access to foreign markets and especially in the case of VEO the networks play a crucial role in the business they operate and without networks there is no access to the projects. Grove Comp utilize networks in order to find new teams and talented individuals who can join their teams of developers also they have gained funding which helps to overcome the shortages in funding.

Sensing and seizing ability were focused in the beginning to the entrepreneur and founder of the company. In Grove Comp which is a new company, the

sensing and seizing focused almost solely to the founder of the company. In more mature companies 3 Step IT and VEO the sensing and seizing has changed from the early days. In the beginning the entrepreneur sensed and seized all the new opportunities such as new products and processes but in the later stages when the entrepreneurs shift to more strategic position and leave the operational role, the sensing changes. Sensing becomes more strategic and the entrepreneurs sense new trends more than just new products or services. They evaluate the strategies and try to find opportunities strategy-wise. In 3 Step IT sensing and seizing capability is a process that the whole organization execute. All of the employees are expected to sense opportunities. In VEO the sensing is carried out by managers and the entrepreneurs. All in all, sensing and seizing opportunities is an important capability for the case companies. In the beginning it is mostly executed by the entrepreneur but at some point, other than the entrepreneur(s), are starting to sense and seize opportunities.

Resources and processes are important for born global companies. Surprisingly the most important resource for all case companies, even they are in different industries and in different phase, were the human resources. The most important resource for VEO was the knowledge within the company that the employees hold and for 3 Step IT and Grove Comp it was human resources. However, the human resources were not considered as a sustained competitive advantage in Grove Comp because they do not possess the best possible individuals available. 3 Step IT and VEO have a competitive advantage since they possess human resources that are valuable, rare and difficult to copy.

The case companies had diverse processes and the processes were not as coherent as the resources. 3 Step IT try to maintain the organization as agile as possible without losing the entrepreneurship ability. This way they endure rapid changes in the business environment. VEO operates in knowledge intensive industry where the competitive advantage originates from the knowledge VEO possess in the company, therefore the knowledge codification and articulation is strong and the processes are well described and they try to adapt to the continuous change. They also emphasize the importance of learning process. Grove Comp is evaluating and developing their processes and they are very agile in the processes since they are still new to the business. Processes are vital for case companies but they do differ from each other's. However, the learning process was named many times in the interviews and the learning process enables the



possibility to sustain competitive advantage. All case companies have the passion to continuously evaluate and learn from the mistakes they make.

Ambrosini & Bowman (2009) discovered that in a turbulent and changing environment resources cannot remain static and be valuable. Resources must be evolved and developed, otherwise company has competitive advantage only for a short period of time. (Ambrosini & Bowman 2009). The second thing in common was the continuous learning the case companies execute. 3 Step IT has a learning organization and the aim is to continuously develop and educate their employees in order to sustain the competitive advantage. VEO also emphasize that it is important to transfer the knowledge to new employees and sustain the knowledge they possess. Grove Comp was in different phase in this case and they are experiencing learning advantage of newness. All case companies highlight the importance of learning from your mistakes and it will help to overcome barriers and obstacles in the future.

Dynamic capabilities were examined in this thesis by categorising them to four different categories. Reconfiguring, leveraging, learning and integration (Ambrosini & Bowman 2009). The most common way to utilize dynamic capabilities amongst the case companies were leveraging and learning. The learning process and learning overall were already covered and it was named as one of the most important process. Learning is utilized by all the case companies. Leveraging resources was also used and this highlighted that the case companies try to adapt to the change by leveraging knowhow and employees internally rather than reconfiguring resources externally. 3 Step IT always try to leverage the knowhow within the company before acquiring resources externally. The acquiring capability is also vital. All case companies use reconfiguration capability when there is lack of resources internally. They acquire the knowledge they need and leverage it within the company.

LAN has been analysed and the outcome is diverse. First of all, Grove Comp. undergoes LAN as they are newly established company. VEO has not faced LAN as they already had professionals of international trade and internationalization in the company, which helped them to instantly penetrate foreign markets with great success. 3 Step IT did not have such experience nor professionalism and they faced LAN process. In the beginning they penetrated Nordic countries and learnt from their mistakes, after that they have expanded to multiple countries with

greater success. They learn quickly and learn from their mistakes. What is different to the findings presented by Autio et al. (2000) is that 3 Step IT has not faced impediments when the company has aged (Autio et al. 2000). On the contrary 3 Step IT has managed to continue with the learning advantage even though they are not a new company anymore. This study propose that it is possible to overcome the impediments when a born global company ages. The focus has to be on the learning and the whole organization has to participate in it but the age of the born global company does not necessarily mean that there are impediments to hinder the learning.

The research question of how born global companies utilize dynamic capabilities in a rapidly changing environment and does it have an influence on the competitive advantage of the born global company can be answered by comparing the dynamic capabilities of the case companies. Firstly, two companies have been operating for multiple years and VEO has faced a major shift in the business area when they shifted selling from wood industry, to power distribution in Norway. 3 Step IT has had their share of changes and the industry is changing all the time. Grove Comp is a young company which agilely change their strategy and business area. They have been in indie game publishing and are penetrating the virtual reality mobile game market. All of the case companies are utilizing sensing and seizing to some extent. Sensing and seizing is utilized widely by all of the case companies and they highlight that it is important to predict the future and sense possible opportunities which may generate competitive advantage in the future.

In summary all the case companies take advantage of dynamic capabilities and they have gained competitive advantage from it, some more than the others. However, it is important to mention that dynamic capabilities do not solely create competitive advantage, it is a tool that paired with resources and strategy can create a competitive advantage. There are many similarities in the utilization of dynamic capabilities but all the companies have their own processes and routines where they apply dynamic capabilities. The size or the age of the company does not effect on the usage of dynamic capabilities. However, the older companies possess with more resources and therefore they are able to make most out of the dynamic capabilities.

The Table 7 illustrates a cross case of key findings. The objectives of the study are evaluated and shown in the table to sum up the conclusions. In addition, the learning advantage of newness is measured.

**Table 7.** Key findings.

	VEO Oy	Grove Comp	3 Step IT
Level of entrepreneurial orientation	High	High	High
Key resources	Knowledge	Human resources	Human resources
Exploitation of dynamic capabilities	Learning, leveraging, acquiring	Acquiring, leveraging	Learning, leveraging, acquiring
Learning advantage of newness	None	Yes	Yes, and still continuing

## 6.2. Theoretical implications

The theoretical framework and the research question & objectives of the thesis were based on previous literature of born globals, resource-based view and dynamic capabilities. However, this thesis is able to bring new insights on the literature.

The resources of born global companies used in this specific study were remarkably similar within the sampling. This study emphasize that human resources & knowledge are valuable resources to born global companies. In addition, this study suggests that the entrepreneurs behind born global

companies have usually a strong vision of the and have a global vision what they strive for.

According to the literature the importance of learning and knowledge is relevant to born globals operating in high tech sectors and it helps them to gain competitive advantage (Weerawardena et al. 2007). The knowledge and learning process is the most important dynamic capability the companies utilize together with leveraging resources. These two capabilities stand out to be the most important dynamic capabilities for born global companies'. Further, acquiring new resources is also used but in situations where there is no possibility to internally learn or leverage resources. Learning occurred by the whole organization and especially after failures. All case companies from different industries and different sizes emphasized the importance of learning throughout the whole lifecycle of the company. Therefore, the learning capability is named as the most important capability what born global companies can exploit.

What should also be highlighted is the agility and entrepreneurial orientation that born global companies utilize even though the case companies had been in for long in the markets. The older born global companies do not differ from the young born global companies remarkably when it comes to these attributes. 3 Step IT highlighted the importance of both attributes and VEO claimed it is important to be agile. Winter (2003) introduced ad-hoc problem solving. Companies are firefighting and change is reactive (Winter 2003). However, this study claims that even when the change happens it is possible to proactively react to the change when utilizing dynamic capabilities to the fullest. Teece (2014) argue that companies that are not capable of sense and seize opportunities and transform with the change dynamically will be unable to sustain the competitive advantage (Teece 2014). This study found out that born global companies follow this logic. In addition, resources are needed also to create sustain competitive advantage and dynamic capabilities are not solely a source of competitive advantage.

In addition, this study suggests that it is possible to overcome the age impediments regarding LAN. If the company focuses on creating a learning organization, it is possible to have an organization that has learning advantage in the later stages.

### 6.3. Managerial implications

These three case studies indicate how managers and entrepreneurs face the continuously changing environment and major shifts in the business area. The entrepreneurs are crucial and the vision they have usually leads where the company focuses, the previous experience of the entrepreneur may affect the result. The entrepreneurs are capable of sensing new opportunities efficiently.

From a managerial perspective, young born global company should focus on their key resources but remember to remain agile and entrepreneurial. They should take risks especially in the beginning and learn from the mistakes they make. Managers should encourage a learning organization since the learning process throughout the whole organization is crucial in order to create an efficient organization that possess with strong knowledge and knowhow. A company with a learning organization is able to leverage the knowledge internally to some extent rather than reconfiguring external knowledge.

Dynamic capabilities are important and managers should try to create a culture of sensing and seizing by the whole organization, or at least themselves sense and seize opportunities. The most important capabilities of dynamic capabilities are learning and leveraging capability according to this study. The networks are also crucial from the founding of the company to the success and networks open and ease up the way to new markets and countries. In conclusion managers should apply dynamic capabilities to a born global companies if they operate in a rapidly changing environment. It may not provide competitive advantage, the competitive advantage depends on the resources and dynamic capabilities but dynamic capabilities may aid in the search of sustain competitive advantage.

### 6.4. Limitations and suggestions for research

The focus of this study was to shed light on born global companies and how they utilize dynamic capabilities in order to gain competitive advantage. The limitations of this study are obvious. The study is a multiple case study but it only consists of three case companies. The study is not generalizable as it gives insights only on the case companies which do not operate within the same

industry. The focus was only on Finnish born global companies that have operations abroad. The level of internationalizing varied in the companies.

The results were collected through interviews and secondary data received from the websites of the companies and social media. Interviews only expose the viewpoint of the interviewee and can be related only to the case companies. Furthermore, this study concentrated on dynamic capabilities and had a resource based view. There are many other factors affecting the competitive advantage but it was not taken into consideration.

Further studies could focus on the learning process and how learning capability is exploited by the born global companies. Since learning capability is so widely utilized in the born global companies at least in the case companies of this study, would it be interesting to study the difference of it to a MNC company. The findings also suggest that human resources are important and that resources are leveraged internally. These processes could also be studied in order to gain deeper understanding on the processes.

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## APPENDIX 1. Semi-structured interview

Tutkimuksen tarkoituksena on ymmärtää miten born global yritykset hyödyntävät dynaamisia kyvykkyyksiä saavuttaakseen kilpailuetua nopeasti muuttuvilla markkinoilla.

1. Mikä on yrityksen historia?
2. Miksi yritys on perustettu ja kenen toimesta?
3. Miten yrittäjä on vaikuttanut yrityksen toimintaan ja prosesseihin?
4. Kuka tunnistaa uudet mahdollisuudet yrityksessä? Onko yrittäjällä vaikutusta uusien mahdollisuuksien tunnistamisprosessissa?
5. Hyödyntääkö yritys verkostoja? Minkälaisia verkostoja?
6. Mitkä ovat tärkeimmät resurssit yrityksessä?
7. Minkälaisia prosesseja/rutiineja yrityksellä on ja miten niitä on kehitetty?
8. Minkälaisia haasteita yritys kohtaa liiketoimintakentässä?
9. Minkälaisia haasteita yrityksellä on resurssien suhteen?
10. Onko yritys kokenut LAN (learning advantage of newness) toimintaa?
11. Hyödyntääkö yritys dynaamisia kykyjä? Esimerkkejä?

Born global yrityksen ehdot:

- 1) 3 vuotta perustamisen jälkeen ensimmäinen myynti ulkomaille ja 25% myynnistä ulkomaille

Dynaamiset kyvykkyydet ovat tapoja mukautua muutokseen tehokkaasti. Se on uusien resurssien hankkimista tai vanhojen resurssien kehittämistä. Se on myös resurssien integroimista sekä uudelleen allokoimista.

The aim of this study is to understand how born global companies utilize dynamic capabilities in order to achieve competitive advantage in rapidly changing environments.

1. What is the history of the company?
2. Why was the company founded and by whom?
3. How the entrepreneur(s) influenced company's phase/how he/she influences the processes now?
4. Who is sensing new opportunities in the company? Has the entrepreneur(s) had an influence on sensing process?
5. Is the company utilizing networks, what type of networks?
6. What are the key resources of the company?
7. What type of routines company has/have had and how these routines have been developed?
8. What challenges company faces in the environment?
9. What challenges they have concerning the resources?
10. Have they experienced learning advantage of newness?
11. How is the company utilizing dynamic capabilities? Examples? (reconfigure, leverage, sense, seize)

A born global company:

“(1) the first international sale took place within three years after incorporation and the firm's foreign sales account for at least 25% of its turnover.

Resource is an asset that the company holds, it can be tangible or intangible. For example, knowledge, innovation, people.

Dynamic capabilities are ways to cope with the change effectively. They learn and adapt resources they hold and acquire new resources in order to gain competitive advantage in rapidly changing environment. It consists of ability to integrate, create and reconfigure resources and processes.

Reconfiguring processes mean that the company recombine their resources and this way adapt to the changes happening in the environment



Leveraged resource can be for example knowhow, which is replicated from another business unit.

Sensing new opportunities is much like scanning, creating and learning activity.

Seizing involves investments in new structures and processes in order to develop and commercialize new products or services.